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"Cheap" Money is Very Costly

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Prices Paid for Soft Money Debauches Includes Many Items. Taxes and Commodity Prices Go Up. Thrift and Production Go Down. Unemployed Ensues. Losses Caused by Unsound Money Schemes Greater than World War Appropriations. Some Notorious Results of Paper Money Pollution.

NEW generations of adults, like new generations of children, seem to have to learn over and over again, that, when playing with fire, one runs an imminent risk of being burned. Indulging currency heresies constitutes such an adult playing-with-fire. A glance over our own historical experience would demonstrate this to the most ardent "easy money" advocate, but such advocates are usually those to whom history is "bunk" and to whom scientific knowledge concerning money is an empty affectation.

Unfortunately, however, those who are willing to kindle the kind of conflagration involved in "soft-money" experimentation are not the only ones hurt. Indeed they may extort an advantage for themselves while the fire spreads. But the record is all too clear concerning the mass of people. Heavy losses, injustice, disorganized production and numerous other evils are the inevitable concomitants of unsound money indulgences.

The price paid for such debauches covers a wide series of charges. There are costs directly borne by the government besides those which are inflicted upon the people. There are untold and incalculable costs which arise indirectly from curtailed production, speculative excesses, luxurious personal expenditures and undermining thrift. If all the losses and costs borne by the government and by the people of the United States in connection with soft money experiments, from colonial times down, could be accurately calculated and footed up, the sum would doubtless outrival our staggering World-War appropriations.

Plausible But Dangerous

"Our productive system is controlled through prices, and the upset of prices, caused by a depreciating currency, interferes with the proper harmonizing of the different lines of production. Price changes are not instantaneously or uniformly effected throughout the whole system. The result of an inflationary movement is therefore a stimulation of speculation and over investment in some lines, with inadequate development in other lines. The period of speculation seems a period of prosperity, but how false and unsound is such prosperity, is disclosed in the stress and agony of the inevitable period of liquidation which, Nemesis-like, follows on the heels of the boom. Moreover, as we look back over our historical experience we find that in periods of unsound currency inflation, depreciation and speculation tended to stimulate wasteful and extravagant expenditure with a resulting encroachment on capital, to say nothing of the effect on popular character."

Costs on the Government

Unsound money projects put into practice impose heavy costs on the government itself in a number of ways. The first effect of cheap money is to raise prices. Futile efforts are usually made to prevent price advances, but in the end they have to be accepted. The government is one of the biggest buyers of goods of various kinds for final consumption purposes. This is particularly true in time of war when re-

sort to cheap money or credit is most readily acceded to. Mounting prices of goods therefore mean that to meet its needs, the government must raise and appropriate always larger sums.

In the same way the effective administration of the tax and revenue system is interfered with. Almost all taxation involves somewhere a process of valuation, and, if this be carried on in terms of a fluctuating currency, friction and loss in return is inevitable.

Weakens Credit

Again, dallying with unsound money weakens the government's credit. Prospective bond buyers become hesitant when currency depreciation is threatened not only because of advancing general prices but also because, despite initial soundness, there is danger of agitation directed toward the payment of government obligations in currency, or in the cheaper money, rather than in specie. Any such weakening of government credit means lower prices received for bonds, consequently, greater burdens on the Treasury.

"The Morning After"

Then there is usually the "cold gray dawn of the morning after." Assuming that, in the end, sound principles triumph, the indulgences of the unsound currency days leave further costs to be met. If paper money has been issued it must be redeemed. If a government be unwilling to stoop to repudiation then it must raise much more in taxes to pay for the paper money than it received at the time of issue. And even though it be willing to face the ignominy of partial repudiation the chances are that it will still pay a heavy usury for what it actually received. Similarly, it has to provide interest and sinking funds for its bonds. The sums raised for this purpose will of necessity be much larger on a sound-money basis than the metallic equivalent of the sums received by the government when it issued the bonds in the days of its flirtation with unsound money. Actually, therefore, the government "gets it both coming and going."

In Massachusetts

Examples illustrating these points can be drawn from our history from colonial days down to the Sherman Silver Purchase Act of 1890. In colonial days and during the revolutionary period the chief reliance of the government was paper money. Depreciation was, however, instant and progressive. In 1740 according to competent authorities sterling exchange in Massachusetts was quoted at 550. At the rate of six New England shillings to the Spanish dollar 133 1/3 shillings "lawful" money equalled 100 shillings sterling. Sterling at 550 therefore meant a depreciation about three-fourths. In 1750 sterling was quoted at 1100, which implied a nine-tenths depreciation of the paper money. Similarly in Rhode Island the earlier bills were worth but little more than 4 per cent. of their face value, while in the Carolinas, fully nine-tenths of the face value of the bills was taken away by depreciation.

It Is A Tax

Succeeding colonial assemblies were averse to liquidating the issues of their predecessors, and would, instead, issue additional bills of their own. Thus Douglas a contemporary writes "By this unnatural contrivance they oblige posterity to supply the extravagances of their parents and ancestors instead of the common and natural instinct of parents providing for their children" Douglas understood that the issue of paper money constituted a tax, for he wrote: "The unthinking part of our people do not consider that every emission of paper credit called money is laying a heavy tax upon us which in time will contribute to our misery."

Continental Currency

The experience with the Continental Currency has, of course, become notorius. By the end of 1779 Congress had issued $241,500,000 of the bills of credit, while state issues swelled the total another $200,000,000. Bullock tells us that at the opening of 1781 a paper dollar was not worth two cents in specie, and thereafter it became practically worthless. But despite the flood of paper money the Continental army was wretchedly equipped and public credit was practically destroyed. Most of the paper issues were practically repudiated. Hamilton provided for refunding at the rate of 100 to 1 but only about six millions were actually presented. On the other hand, all the state bonds issued in connection with the Revolution were taken over and funded with the national issues on a specie basis. The government had thus to pay back much more than it had received.

$5,000,000 Loss

In the period intervening between the Revolutionary War and the Civil War the government lost heavily on account of unsound bank-note currency. From 1814 to 1817 the direct loss to the government from worthless bank notes received is given as over five million dollars—a large sum for those days. Dewey says that the "monetary derangement was so acute that the Treasury Department was obliged to keep four accounts with its depositories in four standards of value; cash or local currency, treasury notes bearing interest; treasury notes not bearing interest; and special deposits." This injured United States securities and one of the reasons that Dallas gave for the establishment of the second United States bank was that the rehabiliation of the currency would cause a rise in the securities of the government and increased confidence in the treasury notes.

Threatened To Lynch

The crisis of 1837 was one of great severity and cost the government heavily. There were thousands of different bank issues in circulation for which no proper specie reserves were maintained or liquid assets provided. Indeed as late as 1855-1860 in Ohio, Indiana and Missouri certain persons who presented notes for redemption were threatened with lynching or with a coat of tar and feathers. Land formed the chief security behind the notes.

The rapid expansion of the period is shown in the following table

Bank Expansion 1837

Year	Number of Banks	Capital (000 omitted)	Circulation (000 omitted)	Loans (000 omitted)
1829	329	110,2	48,2	137,0
1834	506	200,0	94,8	324,1
1835	704	231,2	103,7	365,2
1836	713	251,9	140,3	457,5
1837	718	290,8	149,2	525,1

As the second United States bank shut its doors in 1836 the government had to rely entirely on the state institutions. Government deposits encouraged expansion. The government had been liberal in its land-sale policy and had accepted state-bank notes in payment for land. But in July 1836 the government demanded specie. This coupled with heavy transfers growing out of the distribution of the surplus revenue brought on panic and suspension in 1837. The government having deposits in many banks was a heavy loser. The Treasury sacrificed possible interest on deposits and considered itself fortunate to get bonds from defaulting institutions to refund the government deposits in installments. On January 1, 1840, $896,000 was still due the government by the banks.

The state governments were also in many cases seriously involved. Some of the state governments had established banking institutions of their own and the failure of these institutions dragged state credit itself into the mire. Mississippi, in 1838, invested five millions in a banking institution which failed, and the bonds sold to raise the capital were repudiated. Florida sold territorial bonds for investment in a bank and these also were repudiated for technical reasons. In some Northern states, Pennsylvania, Maryland, Michigan, Indiana and Illinois the strains were great, and state honor was for a time seriously threatened. As many foreigners had bought American securities open repudiation or temporary default by state government coupled with widespread insolvency in private business dealt American credit generally a terrific blow.

Greenbacks

The issue of greenbacks by the Federal Government during the Civil War also proved a costly method of financing. The effect of depreciation was an upward movement of general prices. According to Wesley C. Mitchell prices reached their maximum in January 1865 when 59 out of 90 commodities—almost two-thirds—were quoted at double or more than double the prices of five years before. This greatly enhanced the cost of conducting the war for the government.

At the same time the government's credit was seriously impaired. The government had to sell its bonds for what they could command in the open market, and, as calculated by Bullock, it was obliged to create a nominal debt of $2,256,000,000 for which it received not more than $1,695,000,000 in gold. Dewey states that "the total effect of paper issues in increasing the cost of the war has been estimated between $528,000,000 and $600,000,000; even this amount is small when compared with the burdens which inflated prices placed upon the people in the ordinary relations of trade and industry."

Cash Payments Suspended

The crisis of 1873 was to a considerable extent a culumation of an inflation that had its roots in paper money. This crisis was severe and costly. Foreign exchange went begging and the domestic exchange machinery practically collapsed. The grain and produce markets were practicularly hard hit. The movement of grain and provisions almost stopped, the railroads refusing shipments from the primary markets. Wheat fell from $1.13 on September 19 to 90 cents on September 24. Cash payments were quite generally suspended, and thousands of men were laid off because money for pay-rolls could not be obtained. The losses heaped up in this way ran well into hundreds of millions.

Silver Purchases

The silver purchases under the Bland Allison Act of 1878 and the Sherman Silver Purchase Act of 1890 also brought losses to the government. The immediate purchases involved no net expense because the silver was coined into legal-tender money at a face value in excess of the bullion value; but in the effort to keep the growing flood of money on a gold basis the government had to sacrifice its gold reserve, and then had to issue bonds to replete this reserve. The shrinkage in the gold reserve is shown in the follwing table:

Date	Net Gold Reserve
" " 1891	$190,232,405
" " 1891	117,667,723
" " 1892	114,342,367
" " 1893	95,485,413
" " 1894	64,873,025

Although the people had come to regard one hundred millions as the minimum consistent with safety the reserve dwindled steadily below that level. Then came the panic. The government lost directly the sums in interest it had to pay on the bonds sold to preserve the gold reserve. It lost heavily also in the falling off of revenue. The people lost much more heavily still in the distrubance of their economic life.

Popular Costs of Cheap Money

Much more serious than the costs of unsound currency to the government are the heavy direct and indirect costs which are imposed upon the people at large.

First may be mentioned the effect of depreciation and of advancing prices on the whole scheme of production. Our productive system is controlled through prices and the upset of prices, caused by a depreciating currency, interferes with the proper harmonizing of the different lines of production. Price changes are not instantaneously or uniformly effected throughout the whole system. The result of an inflationary movement is therefore a stimulation of speculation and over-investment in some lines, with inadequate development in other lines. The period of speculation seems a

period of prosperity, but how false and unsound is such prosperity is disclosed in the stress and agony of the inevitable period of liquidation which, Nemesis-like, follows on the heels of the boom. Moreover, as we look back over our historical experience we find that in periods of unsound currency inflation, depreciation and speculation tended to stimulate wasteful and extravagant expenditure with a resulting encroachment on capital, to say nothing of the effect on popular character.

Secondly may be mentioned the distressing effects of an unsound money on the distribution of wealth among classes and individuals. Cheapening money through inflationary expedients is a gigantic fraud upon the creditor classes as against debtors. Depending on the degree of inflation, and on the decline in the purchasing power of money, the creditor is despoiled for the corresponding benefit of debtors. Annuitants and holders of leaseholds, all those dependent on fixed incomes, or receiving specified sums in terms of money, are penalized when the purchasing power of money is depressed. In like manner the stockholder profits at the expense of the bondholder—a fact which implies a reward to the more speculatively inclined at the expense of the conservative.

Indirect Costs

Lastly reference may be made to the heavy indirect costs which a depreciated currency tend to bring with it. Advancing prices cause discontent and give rise to agitation and unrest among those whose incomes cannot promptly be adjusted to meet higher living costs. Strikes are fomented and production is curtailed. Everybody shares in these burdens. Lack of stability in money also undermines and weakens habits of thrift. Fear of loss through depreciation of money is a direct incentive to spend rather than to save, and what this may mean, if allowed to develop far, is illustrated by our own experiences in the past, and by what we hear from Germany at present. A corrosion of the moral integrity of the people is inevitable. Dishonesty is stimulated, and a desire to gain by speculation rather than to earn a livelihood by productive and useful labor causes a marked deterioration in popular habits and character. In many ways these indirect costs of easy-money experimentation are more terrible than are the direct losses.

Colonial Examples

Surveying again our monetary history for illustrations of the above generalizations, we may note that in colonial days the spoliation of creditors was scandalous. According to Bullock in 1741 Governor Shirley stated in his message to the Massachusetts legislature that, "a creditor who has the misfortune of having an outstanding debt of the value of 1000 pounds sterling, contracted anno 1730, can now receive no more in our courts of judicature . . . than the value of about 650 pounds sterling." Between 1741 and 1749 exchange rose from 550 to 1100, and according to Douglas "Every honest man not in debt lost about one-half of his personal estate." Harvard College is said to have lost 10,000 pounds in this way and the Scotch Charitable Society of Boston lost some 66 per cent on the repayment of some of its investments. "Under such conditions of demoralization" observes Bullock "it is not strange that the legislature of Massachusetts complained of universal infectious corruption.'" Hutchinson is also quoted to the effect that "the morals of the people depreciate with the currency."

There is an abundance of evidence that depreciation was actively favored by dishonest individuals and groups. Thus we are informed that when the Connecticut bills were made legal tender only at their current value in specie, the debtor party secured the repeal of the law in three years. Douglas a contemporary observer wrote: "The Parties in Massachusetts Bay at present are not the Loyal and Jacobite, the Governor and Country, Whig and Tory, or any religious sectory denominations, but the Debtors and the Creditors. The debtor side has had the ascendant ever since anno 1741 to the almost utter ruin of the country." And Tom Paine, who could hardly be called a friend of wealth, wrote:

"There are a set of men who go about making purchases upon credit, and buying estates they have not wherewithal to pay for; and having done this, their next step is to fill newspapers with paragraphs of the scarcity of money and the necessity of a paper emission; then to have a legal tender under pretense of supporting its credit, and when out, to depreciate it as fast as they can, get a deal of it for a little price and cheat their creditors; and this is the concise history of paper money schemes."

Bullock quotes Douglas to show how hard depreciation was upon laborers because of the failure of wages to move up with prices. In 1712 when silver (which was then the chief metallic money) was at 8 shillings per ounce, wages were 5 shillings per day; while in 1739, when depreciation had driven silver up to 29 shilling per ounce, wages were only 12 shillings per day.

Continental Notes

History repeated itself under the continental issues. By January 1779 currency to specie was 8 to 1, and by the following November the ratio was 38½ to 1. The several states enacted that a refusal to accept the bills constituted an extinguishment of the debt. Congress also resolved: "That if any person shall hereafter be so lost to all virtue and regard for his country as to refuse (to accept the money) . . . such person shall be deemed an enemy of his country."

Creditors were again outrageously despoiled. Bullock quotes Witherspoon: "For two or three years we constantly saw and were informed of creditors running away from their debtors, and the debtors pursuing them in triumph and paying them without mercy." Bullock says that William Livingston was worth 8512 pounds prior to the paper money

era. He lost a large part of this through payment to him in worthless paper of debts. Richard Henry Lee found that he was receiving as rent for 4000 acres of good land a sum of money that would not purchase four barrels of corn. There is much testimony like the following:

Widows and Orphans Defrauded

"Old debts were paid when the paper money was more than seventy for one. Brothers defrauded brothers, children parents, and parents children. Widows, orphans and others were paid for money lent in specie, with depreciated paper, which they were compelled to receive.

Pelatiah Webster, a contemporary of the Revolution, quoted by Dewey, writes: "Paper money polluted the equity of our laws, turned them into engines of oppression, corrupted the justice of our public administration, destroyed the fortunes of thousands who had confidence in it, enervated the trade, husbandry and manufacturers of our country, and went far to destroy the morality of our people."

George Washington's conclusion is shown in the following:

"If I were to be called upon to draw a picture of the times and of men, from what I have seen, heard, and in part know, I should in one word say, that idleness, dissipation and extravagance seem to have laid fast hold of most of them; that speculation, peculation and an insatiable thirst for riches seem to have got the better of every other consideration, and almost every order of men."

Unsound Bank Currency

Again during the days of unsound bank currency the same evils and difficulties arose. Bullock tells us that "bank notes were often at a discount of fifty or sixty per cent and the issues became so large as repeatedly to cause inflation. Then a period of liquidation would ensue and prices would fall to extremely low levels." Bullock also adds that "the common view seemed to be that a bank was a mysterious and magical means of creating wealth out of nothing, and it was supposed that, since a banker secures interest on his notes, the banking business offered a unique and beautiful opportunity to secure interest on one's debts." Gouge tells of one bank which broke down in 1809 and which was found to have $580,000 of notes in circulation, and $86.46 in its specie reserves.

While the bank issues could not be made legal tender, other means equally effective were relied upon to enforce acceptance. Thus Sumner tells about one state: "Under the replevin law the judges instructed the jury to find "scaling verdicts" rating the judgment sum in specie according to the depreciation at the time of the contract. This sum could be collected after two years, unless the creditor indorsed the execution. If he did that he obtained payment in three months in paper worth about fifty cents on the dollar—that is, he obtained about one-fourth of his original claim."

Real Estate Shrinkage

The panic in 1837 and the subsequent crisis and demoralization is largely attributable to the unsound currency and credit procedure of the period. A committee sent from New York to try to persuade President Van Buren to rescind the specie circular, which had required land payments to be made in specie, laid before the President some of the consequences of the crisis. Real estate in New York had in six months depreciated more than $40,000,000. In two months there had been more than 250 failures. Stocks of railroads and canals which centered in New York had declined $20,000,000. Value of merchandise in ware-houses had fallen 30 per cent. Within a few weeks 20,000 persons had been discharged by their employers. The developments in New York illustrated what was going on in the country as a whole.

Greenbacks

The depreciation of the greenbacks shortly after their issue in 1862 pushed prices upward. Commodity prices reached a peak of 248 (prices 1860-100) in July 1865. Mitchell shows that the prices of farm products rose less promptly under the stimulus of the green back issues than did the prices of other commodities. With respect to wages Mitchell says that "the table shows an almost universal rise of wages during the war—though a rise far from equal to the advance of wholesale or retail prices." By July 1865 Mitchell shows that wages in all industries had reached an average of 155 (weighted average) compared with the commodity price index of 248. Retail prices moved from 100 in 1860, to 179 in 1865. Then retail prices started downward but it took three years to bring them and wages into harmony. Concerning some of the indirect costs of the green back issue Bullock says:

"A dishonest medium of exchange was productive of the most notorious extravagance and corruption, which gave the decade following the close of the war a character that was perhaps more unsavory than that of any epoch since the adoption of the Constitution. James Fisk and Jay Gould, the Credit Mobilier scandals and the Belmont impeachment trial were the natural products of this period of reckless inflation."

1873

The crisis of 1873 was to a considerable extent a culmination of an inflation that had its roots in paper money. This crisis was severe and costly. Foreign exchange went begging and the domestic exchange machinery practically collapsed. The grain and produce markets were particularly hard hit. The movement of grain and provisions almost stopped, the railroads refusing shipments from the primary markets. Wheat fell from $1.13 on Sept. 19 to 90 cents on Sept. 24. Cash payments were quite generally suspended, and thousands of men were laid off because money for pay-rolls could not be obtained. The losses heaped up in

this way ran well into hundreds of millions.

1893

The panic of 1893 also was largely the outcome of monetary disturbances. Under the Bland-Allison Act of 1878 at least $2,000,000 worth of silver was monthly added to the basic stock of money while under the Sherman Silver Purchase Act of 1890 the amount was increased to a fixed monthly total of 4½ million ounces. The ability of the government to keep all this silver at par with gold was gravely doubted and a run on the gold reserves began. How these reserves were depleted has already been indicated. Only after panic developed was the silver legislation repealed.

The panic extended into every phase of our economic life. In December 1893 the Comptroller of the Currency announced the failure during the year of 158 national banks, 172 state banks, 177 private banks, 47 savings banks, 13 loan and trust companies and 6 mortgage companies. Some of these, Dewey tells us, afterwards resumed business, but the permanent damage was great. "The fright of depositors was general and the shrinkage in deposits enormous; bank clearings were the lowest since 1885." Production of coal fell off greatly; pig iron output of 9,157,000 tons in 1892 fell to 6,657,000 tons in 1894 New railway construction almost ceased, 156 railways operating 39,000 miles, were in receivers hands. Securities fell to one-half or even to one-fourth of their former value. Commercial failures increased from 10,344 in 1892, with liabilities of $114,000,000 to 15,242 in 1893, with liabilities of $346,000,000. Unemployment became general and widespread relief work became necessary. In Chicago bloody riots occurred and under the leadership of "General" Coxey an army of unemployed marched to Washington. Recovery was a long hard pull, but one of the factors which aided it was the renewed purchase by foreigners of American securities when the Silver Purchase Act was repealed.

The experiences wrought by excessive inflation of credit during the World War are too poignantly recalled to need review. But in looking at the future it is a safe prediction that unsound currency experiments would result in even more disastrous consequences than attended those of the past. Our economic life is becoming more and more complex. Division of labor and exchange are growing daily more elaborate. Their successful operation rests fundamentally upon a sound exchange medium. If again we elect to experiment with unsound methods we shall pay a price commensurate with the importance of a sound money—and with our stupidity in failing to profit by past experience.

Paper Money In History

"There are a set of men who go about making purchases upon credit, and buying estates they have not wherewithal to pay for; and having done this, their next step is to fill the newspapers with paragraphs of the scarcity of money and the necessity of a paper emission; then to have a legal tender under pretense of supporting its credit, and when out, to depreciate it as fast as they can, get a deal of it for a little price and cheat their creditors; and this is the concise history of paper money schemes."

—Thomas Paine.

Convention Calendar

Date	Association
March 26-28	Central States.......... Oklahoma City, Okla.
April 13-14	Florida..St. Petersburg
April 18-19	Louisiana....Shreveport
April 23-26	Executive Council A. B. A............ Westchester-Biltmore Country Club, Rye N. Y.
May 2- 4	Nat. Foreign Trade Council .... New Orleans, La.
May 3-4	Arkansas ....Little Rock
May 3-5	North Carolina .... Pinehurst
May 7-10	U. S. Chamber of Commerce New York......
May 8-9	Mississippi.....Meridian
May 10-12	Georgia ......———
May 15-16	Tennessee .... Chattanooga
May 15-17	Texas ....Dallas
May 17-19	Alabama .... Montgomery
May 22-23	Missouri.....St. Joseph
May 23-25	Pennsylvania .... Atlantic City, N. J.
May 23-26	California .... Long Beach
May 24-25	Kansas .... Hutchinson
May 24-26	Virginia .... Richmond
May 28-29	Reserve City Bankers.. French Lick, Ind.
May 29-30	Oklahoma .... Oklahoma City
June 11-13	New York ...———
June 12-15	Association of National Credit Men .... Atlanta, Ga.
June 15-16	Utah ....Logan
June 19-20	Wisconsin .... Milwaukee
June 19-20	South Dakota........ Rapid City
June 26-27	Illinois ....———
June 27-29	North Dakota......... Bismarck
July 17-20	Amer. Inst. of Banking Cleveland, O.
Sept. 5-6	Kentucky .... Louisville
Sept. 24-27	A.B.A., Atlantic City..
Oct. 28-31	Investment Bankers Washington, D. C.

What The President Meant

By JOHN H. PUELICHER

President American Bankers Association

Mr. Harding's Reply When Asked What the American Bankers Might Do To Make His Burdens A Bit Lighter. Suggested That Bankers Discuss With Their Customers the Economic Problems Confronting America and the World. Various Interpretations.

WHEN Thomas B. MacAdams was President of the American Bankers Association he conceived the idea that the banker should annually tender his services to our Government. He, coming from Virginia and being a Democrat, could safely do that with a Republican administration in Washington. Had I attempted to inaugurate such a custom it would have looked like cheap politics. But, with a Republican administration at Washington and a Democratic President of the Association, this splendid custom was established, and each year, in the spirit of its high endeavor, the American Bankers Association will tender its services to the Chief Executive of our country.

I went this year with the Administrative Committee, and we again called upon our President. I said to him, in all sincerity, "Mr. President, is there anything that the American Bankers can do to make a bit lighter the burdens that are resting upon you and those who are endeavoring to manage the affairs of our country?"

He said, "Will you say to the Bankers of America this, "Take a bit of time when arranging the affairs for which your customer comes to the bank to discuss with him somewhat as you may undrstand them, the economic problems that are confronting America and confronting the world.' "

I have endeavored to interpret what President Harding said to us, in the hope of translating it into actual service. I just wonder whether President Harding did not mean to say to the bankers of America, "In addition to serving yourselves, serve the country also," And then I tried to say to myself, "What is the character of service that the American banker can render at the moment? What are the big problems that are confronting America and the world," and I thought, "The President meant to say to each banker in America, say to the influential manufacturer, say to the influential merchant, say to the influential advertising group: "There is being put across a propaganda in regard to fiat money. Compare the financial system of our country with that of Russia. Think of how safely we rested on the gold standard so that the American merchant, the American manufacturer, the American advertising man might be induced to inform himself about the safety and the sanity of the gold standard, and so that a public opinion might be created that might make onslaughts on that system absolutely futile."

I thought the President meant to say to the bankers, "Take a bit of time each day to say to your customers that America could not have won the war without the Federal Reserve System; that America could not have financed the period, the serious period of deflation, without the Federal Reserve System; that America cannot hope to hold her place as a first-class commercial nation without the Federal Reserve System, or a mechanism similar to the Federal Reserve System."

I think that was what the President intended us to pass on in the hope of doing more than just working for ourselves.

I think the President meant to say, "We must help in a measure to solve the economic difficulties confronting America, confronting the world, that we must do more than simply serve ourselves."

And I want to tell you briefly just what it is the hope of the American Bankers Association to do in just that direction. Have you ever thought that most of our troubles were economic? In Europe the troubles are political and economic. There they have racial hatreds which have run for ages. God pity Europe! I cannot see much light there. You cannot hope to make progres where there is fear on one side and hatred on the other. We must get where we know each other. We must get into conferences like these, where bankers, farmers, merchants, manufacturers, can all sit around the table and see every problem from every side, where we can begin to exercise equity because we understand each other and each other's problems.

Why are so many of our difficulties economic? Have you ever given that any thought? Why it is possible for the agitator to get by with things like this: "Demand ten hour's pay for five hours' work," that which we know to be economically unsound.

Broadly approximating, about 80

Fiat Money Propaganda

"I thought The President meant to say to each banker in America, say to the influential manufacturer, say to the influential merchant, say to the influential advertising group: 'There is being put across a propaganda in regard to fiat money. Compare the financial system of our country with that of Russia. Think of how safely we rested on the gold standard so that the American merchant, the American manufacturer, the American advertising man might be induced to inform himself about the safety and the sanity of the gold standard, and so that a public opinion might be created that might make onslaughts on that system absolutely futile.' "

* Address at the Advertising Club of New York.

per cent. of the children that attend school in America never get beyond the common school; 5 per cent. more drop out the first year of high school and about 5 per cent. more, the second year of high school.

Do you wonder that our difficulties are economic? About 10 per cent. of those attending the schools of America—and I am just approximating broadly—never get the least smattering of economics except as they get it in the school of experience or on the street corner. The banker lives at the heart of the economic system. It is he who reservoirs the savings of the community, and then lends them out for the development of the community. He has his finger on the pulse of our economic system all the time.

Taking those three facts—our difficulties, economic; a dearth of economic knowledge; the banker living at the heart of the economic system—I tried to set them together into something that would work out some sort of a scheme to overcome this thing, and came to the conclusion that the banker must undertake to become the lecturer on the subject of economics in every school in America.

Changes In Banking

When I first came into a bank, bank clerks were not elevated into official positions. Usually a successful grocer or a successful man in some other line of endeavor, who had accumulated a sufficient amount to buy a large enough block of stock, purchased that little closing glory, the presidency of a bank, with which to wind up his career. The bank clerk, because he had to start as messenger, with a very insufficient salary, was usually employed when he was twelve or fifteen years of age. The one knew something about the practical working of the bank, but very little of the theory of banking generally. The other knew something about the theory of business but mighty little about banking, and consequently, banks did not arrive at the degree of efficiency gotten in the last few years, of course, meeting the greater and greater requirements of our commercial nation.

Then came the time when a few ambitious men hoped to cross the bridge which had been forbidden, hoped to step from a clerkship into an official position. They first organized study clubs in their own banks, and then those who had a larger vision and who saw that it was better that they know competitive ways in the character of service, rather than as individual against individual, began to invite clerks from other banks to sit in the study clubs. Soon the study club became a community club.

Closer Co-operation

Then twenty-one years ago, 300 of these men met in Cleveland. At that time there were just three chairs of commerce and banking in the universities of the United States. We didn't know where to turn for instructors. Bank officers frequently volunteered to help us.

Those 300 have grown into a study club numbering 54,000 men and women. Today the American Institute of Banking is composed of the officers of banks and the clerks of banks. The line of demarcation has vanished. We are professional associates and I maintain that what has been accomplished in my profession,—the linking together of the interests of all those who are getting their livelihood from the same business,—will some day solve the trouble between capital and labor. That is the only way we can hope to solve it. People deriving their income from one business must have a common purpose, and as they come to be professional brethern in the business, those troubles will be solved.

You, of course, will immediately point to the degree of intelligence that exists in the bank as compared to some other lines of endeavor. My contention is if the degree of intelligence is lower, that is all the more reason why the principal should be interested, because it is the lower degree of intelligence that must be elevated if we hope to keep our democracy safe. It is those who do not understand, those who do not know, those who are not educated, who are dangerous, and for that reason I feel that the American Banker must do his share toward bringing about a greater economic enlightenment in America.

Have you ever thought how much of our business is done through instruments of credit? It is a fine thing to use in bank advertising. Let us mark our civilization at 100 per cent. and then let us admit, which is approximately true, that 8 per cent. of all that we do, commercially and in every other way, is paid for in money, and that 92 per cent. of American progress rests on instruments of credit—notes, bonds, trade acceptances, checks, those things which express credit; and imagine how civilization would be retarded if we demolished our banks and destroyed our credit system. We would go from the 100 per cent. back to 8 per cent. Think of the comforts, the conveniences, the necessities that would disappear!

Character In Advertising

Credit rests on confidence. What begets confidence? C h a r a c t e r. That is what you are getting in your advertising. I believe we are going to recognize some day that that business which does not serve civilization, which only panders to its pleasure, but which will ultimately result in the ruin of civilization, will not be permitted to exist by you advertising men. I think the time is coming when you are going to measure the benefits of that which you advertise and say, "No matter how much this is desired today; it is not beneficial to our people, and we are not going to advertise it." I think that is going to have to come as we put more character into our business. Credit rests on character and capacity, supported by capital and collateral.

Industrial strikes in Pennsylvania last year involved more than 389,000 persons and caused a loss in wages of about $208,000,000.

Of the 1,807 strikes during the year all have been settled with the exception of those of ninety printing establishments and four railroads.

The anthracite and bituminous strikes and the railroad shopmen's strike were the three of widest proportions, the coal strikes alone involving 322,806 men and causing a loss in wages of $190,000,000. The shopmen's strike affected 22,641 men, with a wage loss of more than $12,000,000.

More Men Under Arms Than In 1914

By ISAAC F. MARCOSSON

Europe Remains in the Clutches of Fear and Force. Neither Leagues Nor Loans Will Solve Situation. Civilization Is at Stake. Invasion of the Ruhr. Stinnes' Empire Will Survive. Enabled to Build It Because There Are No Anti-Trust Laws.

THERE are more men under arms in Europe today than there were on the day that the Great War started. England is facing the greatest social crisis, in many respects, in all her history; France is in the physical dumps; Germany is as near the brink as any nation can ever go; Russia is still in the shadows; Italy within the last four months only escaped a welter of slaughter and agony and bloodshed, the like of which Europe has not seen since the days of Danton and Robespierre; the Balkans are still aflame; the Turks have been able once more to raise their crescent against the gleaming white cross of Christianity.

All this discord, all this disillusion, all that orgy of suspicion and hatred, which is Europe today, are due to very few simple and fundamental things. The first and foremost of them is this: that the principal business of Europe today is the business of hate. Europe remains in the clutches of fear and force. She still thinks in terms of bayonets and battleships.

Bankruptcy of Statesmanship

All that is merely one result of a bankruptcy of statesmanship in Europe and I use the word "bankruptcy" advisedly; and the bankruptcy of European statesmanship is merely on a par with the bankruptcy of the national box offices. It is all part of a larger paralysis of morality that this world presents today.

Neither leagues nor loans will ever solve this situation in Europe and the League of Nations so far has merely been an artificial stimulant.

I say frankly and candidly to you that it is too late for America to intervene, and it is also too early.

It has become a platitude to say that every economic problem in Europe has become a problem in politics, which is perfectly true. It has become a platitude to say that the Versailles Treaty is the truest formula for disaster, and a great recipe for ruin, which is also perfectly true. It is also a platitude to say that leadership is the one great thing that is lacking in Europe and that this world needs in this hour of travail a Lincoln to bind up these wounds of war, without hatred. All that is perfectly true, but its constant reiteration is not going to provide a remedy for a situation, that menaces the very integrity of civilization itself.

Civilization at Stake

It may sound like an absurd thing to you for me to say that that thing called "civilization," that it has taken thousands of years of blood and sweat and agony, through all the unending procession of the years, to build up, is at stake! But that is precisely what is happening.

My first instinct was that the invasion of the Ruhr was the most outstanding act of international madness since the Germans ran amuck in 1914. I have since revised that view. We would have done perhaps the same thing under precisely the same circumstances. There is not a solitary thing in the Versailles Treaty which prohibits the French from doing what they are doing now; but in a larger sense, it is nothing more nor less than that well known desperate remedy applied to a desperate case. The very desperation of the French adventure in the Ruhr may in the end prove its own saving grace.

And, if it does no other thing, I am convinced it will do these two: it will at least convince the French of the folly of exacting from Germany any excessive indemnity; and by the same token it will impress upon the Germans the fact that henceforth they cannot sidestep the obligation that they owe to civilization itself.

Germany—and there is not the slightest doubt about it—has deliberately evaded her obligations and ruthlessly slaughtered the mark. I am not betraying confidences when I say to you that last October when I talked to men like Stinnes, and that group of big industrialists on the Rhine, not one of those men believed that the French would ever go into the Ruhr; and I might say to you, and almost from the highest authority in England, not one member of the British Cabinet or any of the bigger alleged statesmen in England believed that the French would do it.

It is also no secret that until the French were actually in the Ruhr, the Germans believed that either Britain or America would get them out of that very predicament.

Capitalized Discord

Behind it all there is an interesting fact that probably has not occurred to all of you. Ever since the Armistice was signed, both Germany and Turkey have done one thing in common: they have persistently capitalized Allied discord.

So far as the Turks are concerned, history has merely repeated itself. For 400 years, the Turks have profited by the divided council of the great European powers. That is precisely what is going on now.

In the last year I have had two interviews with that extraordinary man Stinnes. He is in a great many respects the most unique individual in the world, because he incarnates the most astounding corporate and industrial concentration of power that any country or any land has ever known. He is a director who directs in 85 different companies; He owns or controls about 250

more; and that in this great far-flung empire of trade he has built up, he has employed more than 1,600,000 men.

How is the invasion of the Ruhr going to affect this man's far-flung empire of trade? I do not know. That house of his is not reared on sand. Whatever happens in Germany, except complete extinction I believe that Stinnes will come through clear, for the simple, good, sound business reason that he has got his financial hooks well anchored in a great many countries in this world.

The sun never sets upon some evidence of that man's far-flung business vision and genius. There is not the slightest doubt that Stinnes today incarnates every dream of financial stewardship and sponsorship that Mr. Morgan and Mr. Rockefeller and Mr. Ryan and Mr. Schiff and all the rest of those great captains of capital of ours ever dreamed about. The reason is very simple: In Germany there is no Anti-Trust Law to impede traffic. The limit is the sky and the man's nerve and credit at the banks. Out of that, there has been reared, not only by Mr. Stinnes, but by Mr. Teysin, a great group of inter-related trusts that I think are immune against shock.

Stinnes' great dream of economic resurrection for the continent of Europe lies in a coalition between America, Russia, Germany and England. And it is not beyond the realm of possibilities, in this distracted world where anything may happen, to find that very coalition being brought about, because the French invasion of the Ruhr is literally hurling England into the lap of Germany, and that among the alliances that may occur within the next two years is a very strong, economic alliance at least, between England and Germany.

What is happening in France is a subject for very serious thought. France by a policy of military diplomacy abroad, which you can see in every country in Central Europe from the Jugo-Slavian frontier up to the borders of Poland, and by the most fantastic physical policy at home—in which phantom reparations have been chased almost to the end of the rainbow—is marching, to a military dictatorship that will leave her stranded high and dry.

Half-Truths About Banking

By CONKLING HONSFORD

HALF-TRUTHS are vicious and far reaching in the mischief they do. A fair example of this is found in a cartoon recently published in a newspaper in Wisconsin in which the banker is pictured as lending freely to the capitalist from one window but cautiously to the farmer from another window. The accompanying captions read, "The Wall Street Man gambles in wealth. He can get all the money he wants at 4 per cent. to gamble in stocks." "The Farmer produces wealth but he has a hard time to borrow money at 6 per cent. to plant his crops or build a silo."

But what are the facts? Where does the banker get the money he loans to the farmer? The banker does not draw wealth from the sky nor money from any magic source; it comes from the people of his community. Usually the money is hard-earned, gathered together through the exercise of rigid economy and self denial. It includes the "egg" money of the farmer's wife or daughter, the crop money of the farmer himself, perhaps insurance money which is the only hope of some recently bereaved widow, the balance of the village merchant, the account of the canning factory or other local industry.

Every dollar of this money is a solemn obligation and a trust. The banker must be able to pay it back upon demand. The depositors have placed it with him with the expectation that it will be available without notice and without question. The banker is therefore obliged to keep his loans in such shape that he can meet the demands of those who want their money. Prudence requires that he should do it; the laws compel him to be prudent. So in making a loan to a farmer he must take into consideration the fact that the farmer cannot pay him for a long time—not until the crop has been planted, cultivated, harvested, sold and the money collected. The banker knows, too, that the farmer is straightforward and honest but at the same time he is aware of the uncertainties of farming. If the harvest fails or sickness overtakes the farmer the loan cannot be paid when the note becomes due. The banker can not, if he would, pass on excuses to his depositors in lieu of currency.

If the farmer could furnish the bank with paper, or collateral, that is readily convertible into cash (as does the capitalist who is carelessly referred to as a Wall Street man) then the farmer would be on the same basis, for in that event the small depositor would be protected. The widow could get her money when she needed it, the canning factory could get money to meet its pay roll and maintain a balance which would make good at the bank the checks issued to the farmer in payment for his produce.

As a matter of fact the farmer is a capitalist. The only difference is that his assets are not in such liquid shape as those of the producers ordinarily called capitalists. Difference in treatment is not due to greater love for speculators than for farmers. Credit-machinery is being developed to do away with the faulty technical handicap under which the farmer labors.

A loan that is readily convertible into liquid assets cannot in fairness be compared with a loan that is fixed or frozen.

To hold the banks up to criticism because they cannot give credit freely and at rates of interest which encourage free borrowing is an appeal to class-hatred which injures no one, so much as those who may thus be led to believe they are not getting fair treatment.

If We Limit Future Immigration

By WALTER LICHTENSTEIN, Ph.D.
Executive Secretary First National Bank of Chicago

Likelihood of a Shifting in the Economic Centre of the Country. The Cotton Industry North and South. The Labor Question Considered from an Historical Point of View. Detrimental Influence of Weak Municipal Governments on the Building Trades.

WE shall gain a better knowledge of some of our labor problems if the question is looked at historically.

Our labor unions are an outgrowth of conditions which are of comparatively recent development in this country, and even today the contrast between capital and labor is not as sharp in the United States as it is in Europe. This is due to the fact that there are still many opportunities for advancement here and still more because until fairly recently the population in this country was largely agricultural, and organized labor is, after all, a part of our present-day factory system. In Europe the divisions into classes have hardened and become fairly fixed so that the conflict has spread into the field of party politics and definite organizations face each other for the control, not merely of the industrial, but also of the political machinery of the country. How closely our present labor organization is connected with the factory system is proved by the fact that the first industries to be organized in this country were the printers and the cordwainers, because the publishing business and the manufacture of shoes were the first to be carried on on an extensive scale.

The Basis Not Found

If development of labor unions lag behind in this country, it also brings about the result that organized labor here has not as yet found a philosophic basis for its claims as is the case in Europe. This makes it both easier and more difficult to deal with organized labor in this country. Easier, because we are not faced by doctrinaire consideration such as move the socialistic and communistic parties in Continental Europe; more difficult, because labor often shifts its position. Take for example the position of American labor toward the problem of races and immigration in which it has displayed its most violent exclusiveness and its most humane fraternity.

Two Extremes

"At the one extreme are the exclusion of the Chinese by law and the exclusion of immigrants by the 'closed shop,' at the other is the affiliation in the same union of whites and blacks. Circumstances, conditions and necessity determine these extremes and the intermediate policies. From the very beginning of organized labor at the close of the eighteenth century, to its situation at the begining of the twentieth, we find these swelling problems of immigration, race conflict, and race assimilation giving character to American movements and distinguishing them from foriegn."

This question of immigration and races is fundamentally the one which is affecting the whole labor problem at the moment. Originally, the unions were purely local and were only slowly nationalized after the advancing industrialization of the country following the Civil War. In the sixties and seventies, we find the period of greatest agitation. "New areas of competition, new races and nationalities, new masses of the unskilled, new recruits from the skilled and semi-skilled, were lifted up temporarily into what appeared to be an organization, but was more nearly a procession, so rapidly did the membership change. With three-fourths of a million members on the books of the Knights of Labor at the height of its power, a million or more passed into and soon out from its assemblies."

This period was followed by one which might fairly be termed much more constructive. "Strengthened by many who enlisted during the enthusiasm of the eighties, then withdrawing from the weaker elements of unskilled and semi-skilled, the skilled trades began to preface the way for this period by building up stable and nation-wide organizations, and by winning such recognition from employers' associations that they were able to establish more or less enduring systems of arbitration or trade agreement, and to retain their membership during a period of depression. At the same time, the recurring problem of the unskilled, the semi-skilled, and the immigrant is again threatening an upheaval."

Fencing for Position

It may be pointed out that this analysis is not correct because since the world war we have had strikes, or threatened strikes, by some unions embracing highly skilled labor and not affected in the least either by questions of immigration or by problems of race. This is only an apparent contradiction. The present situation, which I regard as purely momentary, is due to the upheaval caused by the war. New conditions have developed, and the attitude of the various parties in the industrial world toward each other has not become fixed. What we see going on is a kind of fencing for position in order to effect the permanent alignment of the various parties of the future. Most will depend upon our immigration laws, and as we limit future immigration we are likely to witness a shifting in the economic center of the country. This again will make it impossible to do much constructive work about the limitation of abuses because the abuses of today may not, and probably will not, be the abuses

of tomorrow. Let me illustrate by citing the textile industry. In the past, it has been located mainly in the northeastern part of the country.

Cheap Labor

This has been due partly to an abundance of water power, but still more to the supply of cheap labor coming from Europe and settling in the neighborhood of New York and Boston. If this supply is interrupted, it may prove cheaper to locate textile factories near the source of the raw material, thus saving transportation charges. Since in the South less fuel is required by the laborer and food is cheaper, it may well be that labor costs in the southern cotton mills will be much lower than those prevailing in the New England district. I was told by a gentleman who has just been buying cotton goods in the South that in the large textile mills around Chattanooga the labor is entirely white and is working for anywhere from twenty-five to fifty per cent. less wages than similar less intelligent labor receives in New England. This is due to the fact that it is possible to obtain a cabin with some ground around it for as little as four dollars a month rent. Expensive fuel is not needed, and food is very cheap. Now my point is that with the present shifting conditions and the uncertainity of the position of labor in the immediate future, there is not very much point in seeking to develop any large comprehensive plans for the limitation of abuses. You do not know the conditions which you are going to face even in the next five years.

Graft in Building Trades

I do not wish to be misunderstood. I realize that there are abuses in some forms of organized labor, especially as regards the building trades. This, however, is due more to political conditions than it is to industrial conditions. If you wish to eradicate the sort of graft which prevails among the building trade unions, it is above all necessary to clean up our municipal governments. The late Lord Bryce pointed out years ago that the greatest weakness in our whole governmental system is the management of our municipal affairs. As the relative proportion of people engaged in agriculture declines more and more and the proportion of city dwellers increases, this problem of our municipalities will become very much more important and more fundamental.

Change Impending

Another set of abuses arises out of the conditions which bear some resemblance to those of the sixties and the seventies. The labor in certain of the industries, notably in mining and in the steel mills, is largely foreign, not a part of the body politic. Here also the check of immigration is gradually going to bring about a change. While at present the man, whom for want of a better term we may call the native American, regards it as beneath his dignity and standing to work in steel mills, and in the North in textile mills, nevertheless, as is proved by the developments in the South, this same man will work in these trades when the supply of foreign labor is cut off. In other words, your abuses there will cease when the workers become a real part of the body politic, more or less of the same race and substance as the man for whom and under whom they work.

The Disinherited

I have used the term abuses in its real sense. Mere conflict of opinion and even occasionally actual strife cannot be avoided in our present industrial system. The disinherited, whether by fate or by their own fault, have in all the history of the human race desired the goods of the possessors. The slave rebellions in the days of the Roman Empire were manifestations against the existing economic distribution of goods as are our strikes. You will have to change the whole human race before you will get rid of all conflict, but with an improvement in the ethical standards of our political life and with a clear understanding as to what is really the basis of the demands of labor, abuses in the real sense of the word may be gradually eliminated. Scientific study can also do much, and such works as the "Analysis of the Interchurch World Movement Report on the Steel Strike," by Marshall Olds, are decidedly to be recommended. Everything which makes clearer what conditions really are, which removes labor questions from the realm of speculation and guess work, is going to prevent strife and eradicate abuses.

Dinner to Women Bankers

On the occasion of the annual banquet of the Trust Company Division of the American Bankers Association at the Hotel Waldorf, Mrs. William Laimbeer, Assistant Secretary in charge of the Women's Department of the United States Mortgage and Trust Company, acted as the Company's hostess at a dinner given in honor of the following women bankers: Miss Virginia D. H. Furman, Assistant Secretary, Irving Bank-Columbia Trust Company; Mrs. Key Cammack, Assistant Secretary, New York Trust Company; Miss Minna Bruere, Assistant Secretary, Central Union Trust Company; Miss Jean Reid, in charge of the Women's Department, Bankers Trust Company; Miss Mary Vail Andress, Manager of the Personal Service Bureau of the Paris Office, Bankers Trust Company; Miss Helen M. Carroll, in charge of the Women's Department, 42nd Street Office, National City Company; and Miss Caroline Olney, in charge of the Women's Department, 73rd Street Office of the United States Mortgage & Trust Company.

E. E. Blackburn has been elected a President of the Marion National Bank, Marion, Indiana to succeed J. L. McCulloch, who died January 28.

Mr. Blackburn has been identified with the banking business for twenty-seven years. He with Mr. McCulloch and others, organized the Marion National Bank in 1905. He was its first Cashier and served in this capacity until 1911 when he became president of the Hoosier Stove Company, of this city. At the annual meeting of stockholders of the Marion National Bank, held in January, Elsworth Harvey, Cashier, was advanced to Vice-President. J. H. LeFavour, Assistant Cashier, was elected to fill the office of Cashier made vacant by the advancement of Mr. Harvey.

Marketing in Wisconsin

The Wisconsin farmer says: "Perhaps the outstanding event in the agricultural development of Wisconsin this year is the formation of the State tobacco pool whereby a majority of the tobacco growers of Wisconsin will cast in their fortunes together in a plan for the marketing of their product. With the development of the pool, farmers hope to save from 25 to 30 per cent. of the selling profits which naturally accrue to the middlemen for handling the products."

Dead Credit Is Impossible

By THEODORE G. SMITH
Vice-President Central Union Trust Co., New York

It is a Creditor's Duty To Keep His Credit Sound and to Keep His Debtors Solvent. Europe Is of Value to Us Only As Europe Is a Going Concern. Our Creditor Advantage Will Not Stay Unless It Functions As Living Things Do. The Federal Reserve System.

IN one of those clear ringing passages in the platform laid down for Italy by the new rising statesman, Mussolini, I found this sentence, "Society is founded on duties and not on rights." This led me to think of duties, not as individual moral obligations, but as principles of corporate control applying to nations and to our nation in particular.

America is the world's Trust Company at the present time. She is the world's largest creditor, and that, as it seems to me, imposes an outstanding responsibility which confronts our citizens generally and bankers particularly at this juncture of time. Eliminating all features and influences that are emotional or sensational, cutting out everything that might cloud or confuse the issue, I want you to think with me along the line of ordinary practical business deliberation such as bankers are accustomed to follow and see what this implies.

Creditor's Duty

Our creditor position is still new to us, but after several years in such a position we are able to perceive that having changed from a great international debtor to the greatest international creditor calls for something more than complacent reliance on our new position. With the change has come a different character of responsibility, a different approach, a different attitude in connection with financial problems. We know that it is a debtor's duty to pay; on that we are all agreed. Perhaps we have not so clearly seen that it is a creditor's duty to serve.

What is most needed at this moment is a general conviction, such as the individual banker must always keep in mind in his dealings as creditor: it is a creditor's duty to keep his credit sound, to keep his debtors solvent, to consider the line of business to which he extends credit as going ahead, to help maintain business as "a going concern." A creditor must try to do something more than just present his bill.

Only As A Going Concern

Speaking practically, Europe is of value to us, the world's greatest creditor, only as Europe is a going concern. We cannot say of Europe as bankers are accustomed to say of certain classes of loans, that the borrowers are money good, meaning that in liquidation her loans could be collected.

The only way Europe's debt can be liquidated is through Europe's continuance in business as a going concern. This involves the political and social rehabilitation of Europe as well as its economic rehabilitation. To this rehabilitation it is America's duty as creditor to contribute as a creditor should, and it is the particular duty of bankers, accustomed to keeping credit alive and liquid by keeping business going, to know what this duty covers.

So far, I have been talking of America's creditor relation to Europe and the rest of the world, as though the subject were exhausted in considering this relation to present debtors. That is not so. There is another fact, and an important one, to be remembered. The adjustment of international indebtedness must be made while new business is being done. Even if America has to resolve herself into a creditor's committee, or there is such an arrangement of affairs as are ordinarily taken care of by such a committee, America must conduct her daily work. As the great international creditor it is part of America's trusted obligation, as bankers must conceive it, to use its unique position by assisting, with profit to herself and to the borrowers, the progress of economic production and distribution in all promising countries. That is part of the day's work, and the day's work must meet the world's need.

Function As World's Bankers

These responsibilities which America has had thrust upon her are for the most part such responsibilities as bankers, better than others, are qualified to understand. While it is America's duty to function as the world's banker, it is the banker's duty as a man of practical business to go on creating new indebtedness all the time. The purpose of this is the solidarity of all the world. Just as we have learned that despite the great diversity of American business the whole business community is one, so America as creditor and banker will make it appear that the international community is one. This will be not for profit only but for understanding and mutual good will as well. The countries which are debtors to America today cannot trade with America alone. They have deep-rooted trade connections with other lands, and it is for those countries, too, for which America as creditor must also be banker, so that, among other things, they may be good customers of the countries which now are our heaviest debtors. The chance for world service is beckoning to America as never before.

America never could have had such a relation to the war and its consequences, had it not been for the almost miraculous capacity to expand credit and render resources liquid which the Federal Reserve system furnished. That was a banker's contribution to human oppor-

tunity. We served more than ourselves when, through the dispensation of Divine Providence, or whatever else it was, we adopted the Federal Reserve Act in 1913. We served the world again and again through a banker's plan.

I allude to the Federal Reserve System in connection with America's trusted obligation to the world, because it seems to me that the strength which that system has shown is needed for use in the exigencies which will inevitably arise in the discharge of our duties as international creditor. If any changes are to be made in that system they should be made by practical bankers.

There is danger that we may fritter away our reserves of banking power in a fresh outbreak of inflation; and there is danger that the hands of politicians may be laid upon Federal Reserve machinery to assist in the promotion or such inflation. These dangers and other ones you will doubtless be aware of, but in order to safeguard the banking situation, and apply the brakes against too rapid progress of domestic business, the Federal Reserve System, adjusted and re-adjusted as bankers perceive to be necessary, will help America to discharge her duty as international creditor.

America as creditor has a right to expect the payment of debts, but America as creditor has an opportunity and an obligation far greater than its rights. I believe it to be no less than solemn truth as we face the world in need, to state that the preservation of the social edifice depends very greatly upon America's recognition of what she can do as international banker and creditor.

This may sound ethical but I insist that it is severely practical. The ethics of business are implicit in the laws of business, and it is a law of business, that no position can be maintained without change. Business which does not go ahead goes back. In life, men and nations advance or go down.

We stand as the richest nation on earth with an obligation to use riches wisely, and wisdom can find no better present expression than to utilize our creditor power for business prosperity and individual welfare.

Unless it is thus utilized and steadily improved for the advantage of others we cannot keep it. Dead credit is impossible. It is alive, or it is not credit, and our creditor advantage will not stay alive unless it functions as living things do. The simple fact is this: to keep our creditor position we must use it. If we do not use it rightly we shall lose it.

Yearly Payments on the British Debt

The detail of the payments from year to year under the terms of the British debt agreement reported to Congress on February 7 are shown in the following table. Starting from the date of the funding agreement December 15, 1922 the payments of principal and interest for 62 years will be:

Year.	Principal.	Annual Interest Installments to Be Paid by British Government at 3 Per Cent. for First Ten Years, 3½ Per Cent. Until Final Payment.	Schedule of Annual Principal Installments to Be Paid on Account.	Total Annual Payments.
1	$4,600,000,000	$138,000,000	$23,000,000	$161,000,000
2	4,577,000,000	137,310,000	23,000.000	160,310,000
3	4,554,000,000	136,620,000	24,000,000	160,620,000
4	4,530,000,000	135,900,000	25,000,000	160,900,000
5	4,505,000,000	135,150.000	25,000,000	160,150,000
6	4,480,000,000	134,400,000	27,000,000	161,400,000
7	4,453,000,000	133,590,000	27,000,000	160,590,000
8	4,426,000,000	132,780,000	28,000,000	160,780,000
9	4,398,000,000	131,940,000	28,000,000	159,940,000
10	4,370,000,000	131,100,000	30,000,000	161,100,000
11	4,340,000,000	151,900,000	32,000,000	183,900,000
12	4,308,000,000	150,780,000	32,000,000	182,780,000
13	4,276,000,000	149,660,000	32,000,000	181,660,000
14	4,244,000,000	148,540,000	32,000,000	180,540,000
15	4,212,000,000	147,420,000	37,000,000	184,420,000
16	4,175,000,000	146,125,000	37,000,000	183,125,000
17	4,138,000,000	144,830,000	37,000,000	181,830,000
18	4,101,000,000	143,535,000	42,000,000	185,535,000
19	4,059,000,000	142,065,000	42,000,000	184,065,000
20	4,017,000,000	140,595,000	42,000,000	182,595,000
21	3,975,000,000	139,125,000	42,000,000	181,125,000
22	3,933,000,000	137,655,000	46,000,000	183,655,000
23	3,887,000,000	136,045,000	46,000,000	182,045,000
24	3,841,000,000	134,435,000	46,000,000	180,435,000
25	3,795,000,000	132,825,000	51,000,000	183,825,000
26	3,744,000,000	131,040,000	51,000,000	182,040,000
27	3,693,000,000	129,255,000	51,000,000	180,255,000
28	3,642,000,000	127,470,000	53,000,000	180,470,000
29	3,589,000,000	125,615,000	55,000,000	180,615,000
30	3,534,000,000	123,690,000	57,000,000	180,690,000
31	3,477,000,000	121,695,000	60,000,000	181,695,000
32	3,417,000,000	119,595,000	64,000,000	183,595,000
33	3,353,000,000	117,355,000	64,000,000	181,355,000
34	3,289,000,000	115,115,000	64,000,000	179,115,000
35	3,225,000,000	112,875,000	67,000,000	179,875,000
36	3,158,000,000	110,530,000	70,000,000	180,530,000
37	3,088,000,000	108,080,000	72,000,000	180,080,000
38	3,016,000,000	105,560,000	74,000,000	179,560,000
39	2,942,000,000	102,970,000	78,000,000	180,970,000
40	2,864,000,000	100,240,000	78,000,000	178,240,000
41	2,786,000,000	97,510,000	83,000,000	180,510,000
42	2,703,000,000	94,605,000	85,000,000	179,605,000
43	2,618,000,000	91,630,000	89,000,000	180,630,000
44	2,529,000,000	88,515,000	94,000,000	182,515,000
45	2,435,000,000	85,225,000	96,000,000	181,225,000
46	2,339,000,000	81,865,000	100,000,000	181,865,000
47	2,239,000,000	78,365,000	105,000,000	183,365,000
48	2,134,000,000	74,690,000	110,000,000	184,690,000
49	2,024,000,000	70,840,000	114,000,000	184,840,000
50	1,910,000,000	66,850,000	119,000,000	185,850,000
51	1,791,000,000	62,685,000	123,000,000	185,685,000
52	1,668,000,000	58,380,000	127,000,000	185,380,000
53	1,541,000,000	53,935,000	132,000,000	185,935,000
54	1,409,000,000	49,315,000	136,000,000	185,315,000
55	1,273,000,000	44,555,000	141,000,000	185,555,000
56	1,132,000,000	39,620,000	146,000,000	185,620,000
57	986,000,000	34,510,000	151,000,000	185,510,000
58	835,000,000	29,225,000	156,000,000	185,225,000
59	679,000,000	23,765,000	162,000,000	185,765,000
60	517,000,000	18,095,000	167,000,000	185,095,000
61	350,000,000	12,250,000	175,000,000	187,250,000
62	175,000,000	6,125,000	175,000,000	181,125,000
Totals		$6,505,965,000	$4,600,000,000	$11,105,965,000

The Reparations Calendar

Chronological Listing of the Many Events from the Armistice Down to the Recent Prohibition of Exports from the Rhur

THE Western European Division of the Department of Commerce at Washington has prepared for the Commerce and Marine Commission of the American Bankers Association the following calendar, the many events coming under the head of German Reparations:

Nov. 11, 1918

Armistice Concluded.
Germany to make *reparations for damage done;* to evacuate all invaded territories and the left bank of the Rhine; to surrender 5,000 guns, 25,000 machine guns, 3,000 trench mortars, 1,700 aeroplanes, all submarines and equipment, 6 battle cruisers, 10 battleships, 8 light cruisers and 50 destroyers; all other war vessels and auxiliaries to be disarmed. Also to deliver 5,000 locomotives, 150,000 wagons with necessary parts and fittings, and 5,000 motor lorries; to make restitution of gold and commercial paper seized in occupied territories.

June 28, 1919

Treaty of Versailles Signed.
Germany accepted the responsibility of loss and damage due to the war and undertakes to make compensation for damage done the civilian population and their property.
Germany undertakes to reimburse Belgium for sums borrowed of the Allies.
The reparation Commission was set up with stipulated powers.
Germany ceded to France the coal mines of the Saar Basin in part payment of reparations, and agreed to pay 20 billion gold marks before May 1, 1921.
Germany agreed to make restitution for cash, animals and other objects taken away, seized or sequestrated, including merchant ships, fishing boats, and boats of inland navigation. Undertakes to employ her economic resources directly to the physical restoration of the invaded areas. Deliveries of animals, coal, coal bi-products, dyestuffs, chemicals and submarine cables are to be made as part of Reparation payments. Property of the Reich in ceded territories to be credited on Reparation costs. Costs of the armies of occupation to be paid by Germany. Costs of Reparation to be the first charge upon all assets and revenues of Germany.
In Annex II, Sections 17 and 18, provisions for possible default in Reparation payments are treated as follows:
"17. In case of default by Germany in the performance of any obligation under this part of the present Treaty, the Commission will forthwith give notice of such default to each of the interested Powers and may make such recommendations as to the action to be taken in consequence of such default as it may think necessary.
"18. The measures which the Allied and Associated Powers shall have the right to take, in case of voluntary default by Germany, and which Germany agrees not to regard as acts of war, may include economic and financial prohibitions and reprisals and, in general, such other measures as the respective governments may determine to be necessary in the circumstances."

January, 1920

Exchange—N. Y. $1=63.7 M.

April 19-26, 1920

Conference at San Remo.
Mr. Lloyd George suggested meeting with German representatives.

May 14-16, 1920

Conference at Lympne.
Franco-British Committee of Experts set up to consider methods of payments.

June 19-22, 1920

Lympe-Boulogne conversation. International Loan for Germany suggested.

July 2-4, 1920

Brussels Conference. German payments divided proportionately.

July 5-16, 1920

Spa Conference; German delegate present.
Allied percentages confirmed. Coal demands reduced:
Original liability of Germany in coal deliveries for 1920-21:

To France	25	million tons
To Belgium	8	" "
To Italy	6	" "
Total	39	" "

Germany professed inability to deliver more than 1,100,000 tons per month. Allies demanded two million tons per month for the next six months. Later Germany proposed 1,400,000 tons per month starting October 1, 1920, and 1,700,000 tons per month starting October 1, 1921. It was agreed that until January, 1921: (1) Germany was to deliver two million tons per month; (2) a premium of five gold marks was to be paid for each ton received; (3) the Allies were to seek to improve the condition of the miners, etc.
Allied percentages of Reparation receipts fixed as follows:

France	52%
Great Britain	22%
Italy	10%
Belgium	8%
Greece, Roumania, Jugoslavia, etc.	6½%
Japan & Portugal, each	¾%

Dec. 16-22, 1920

Brussels Conference.
Suggested that Allies be given lien on German customs receipts.

Jan. 24-30, 1921

First Paris Conference.
Reparations to be paid in 42 annuities.
Twelve per cent. levy on exports.
"Sanctions" formulated.
Five per cent premium per ton of coal delivered, as agreed at Spa, lapses.
Germany in default on coal shipments.
Reparation Commission calls attention to a shortage of 500,000 tons.

January, 1921

Exchange—(N. Y.) $1-62.5 M.

February, 1921

Germany claims to have liquidated the 20 billion gold marks obligation.
Reparation Commission declares the German figures grossly inflated and demands payment of 1,000,000,000 by March and 12,000,000,000 by May 1.
Germany demands a mixed "Valuation Commission."
Reparation Commission orders the gold reserve of the Reichsbank to be placed at Cologne and Coblentz as security. Germany protests.
The American observer withdrawn from Reparation Commission.
France presents a note to U. S. Government.
Germany asserts to United States her intention of meeting payments and asks for an international loan. The Secretary of State replied that this Government holds Germany morally bound to make reparation so far as may be possible.

Mar. 1-7, 1921

First London Conference.
German counter-proposal to pay 30 billion gold marks rejected.
Germany offers material and labor for reconstruction.
Ultimatum delivered to Germany.

April 24, 1921

German proposal to take over part Allied debts to the United States conditional on loan.
United States Government refuses transmission of proposal to Allies.

April 27, 1921

Decision of Reparation Commission announced. Germany to pay 132 billion gold marks and Belgian debt to Allies in annuities of 2 billion, plus 26 per cent. of export values.
A, B and C bonds to be delivered.
Committee of Guarantees set up.

April 29, 1921

Second London Conference assembled.

May 5, 1921

Second ultimatum to Germany putting into force the London Schedule of Payments. Article 12 states "The present schedule does not modify the provisions securing the execution of the Treaty of Versailles, which are applicable to the stipulations of the present schedule."
Occupation of Ruhr threatened.
Invitation sent to U. S. Government to appoint representative on the Supreme Council, the Reparation Commission and the Council of Ambassadors. Invitation accepted.

May 11, 1921

Unconditional acceptance of decision of Reparation Commission by Germany.

July 1, 1921

Germany delivered Treasury Bonds Series, A—12,000,000,000 Gold Marks.

August, 1921

Agreement between France and Germany that France shall deliver 3½ million tons of Saar coal annually to Germany.
Treaty of Peace signed between United States and Germany. The United States retains the rights to which it has become entitled under the Armistice and which were stipulated for its benefit under the Treaty of Versailles.

Aug. 31, 1921

Completion of the payment of 1,000,000,000 gold marks demanded by the Reparation Commission on March 21; 150 million were paid during May in gold and foreign currency; 10 million were held in Berlin at the disposal of the Commission; 840 million in three months' Treasury bills were given in May.
During the summer Germany accumulated credit in New York to meet the bills falling due. A final shipment of 68 million gold marks on August 31 completed the payment.
The Interallied Financial Committee agreed that the one billion marks should be divided between Great Britain for (the Army of Occupation) and Belgium. France relinquished her share in consideration of receipts in kind being also debited with the value of 15 years' production of the Saar coal fields, valued provisionally at 300 to 400 million gold marks.
Cost of the Army of Occupation took priority according to the Treaty, the scale of charges being based on man-power; France to receive 16 francs per man per day; Great Britain, the French scale plus two gold marks per day; the United States, the French scale plus three gold marks per day.

October 6, 1921

Loucheur-Rathenau Agreement signed at Weisbaden arranging for direct supply of Reparation materials to France.

Germany to deliver up to May 1, 1926, goods up to a maximum of 7 billion gold marks; prices to be fixed by mutual consent. Germany in no case to be credited with more than one billion gold marks each year. Germany to receive immediate credit up to a maximum of 45 per cent. of annual deliveries if less than one billion gold marks, or 35 per cent. if more; the balance to carry interest at 5 per cent. per annum. Supplementary agreements for the delivery of live stocks, machinery, rolling stock, etc.

Oct. 20, 1921

Reparation Commission approves the Loucheur-Rathenau Agreement in principle.

Oct. 28, 1921

Germany delivered Treasury Bonds Series B—38,000,000,000 G. M.; also Series C—82,000,000,000 G. M.

Nov. 15, 1921

The first 26 per cent. export levy amounting to 300 million gold marks was covered by payments in kind prior to that date.

Nov. 19, 1921

Reparation Commission went to Berlin to discuss methods by which the German Government can meet installments due January 15 and February 15, 1922.

Jan. 8, 1922

Cannes Conference assembled.

Reparation payments for 1922 agreed on.

January and February payments reduced.

Coal demands fixed at 5,750,000 tons per quarter.

Decided to call the conference at Genoa. Germany and Russia to be invited.

Provisional delay granted on payments due on Jan. 15 and February 15. 31 million gold marks to be paid every ten days.

Jan. 11, 1922

French Senate Committee for Foreign Affairs telegraphed to Premier Briand that all agreements must recognize the necessity for French reconstruction; there must be no reduction of reparation demands, no modification of Belgian priority.

Mr. Briand resigns.

Genoa Conference.

Rapallo Treaty between Germany and Russia.

Jan. 26, 1922

Chancellor Wirth announces the Government's taxation proposals, including a compulsory loan of one billion gold marks; a two per cent. business tax, etc. This is popularly called the "Fiscal Compromise." Laws to be passed against speculation and the export of capital.

Jan., 1922

Exchange $1=192 M.

February 27, 1922

Bemelman's-Cuntze Agreement. First draft signed at this time. Amended and clarified June 2, 1922.

February, 1922

Exchange $1=208 M.

March, 1922

The Secretary of State sends a demand to the meeting of Allied Finance Ministers for reimbursement of the expenditures of the American Army of Occupation. Later notes were addressed to the Governments of Great Britain, France, Italy, Belgium and Japan affirming that 966,374,000 gold marks were due to the United States.

March 15, 1922

Gillet-Ruppel Agreement. Re-affirmation of the Weisbaden Agreement with further stipulations that there shall be no preference of locality or concerns to be granted orders for delivery. It permits either the French or German governments to maintain official organizations within the territory of the other for execution of the Agreement. Affirmed that deliveries made by Germany under this arrangement and under the Weisbaden Agreement are solely for use in restoration of the devastated regions of France.

March 20, 1922

The American troops on the Rhine were ordered home, except about 1,000 men.

The Allies all recognized the American claim in principle.

March 21, 1922

Reparation Commission announces details of conditional, partial moratorium for balance of 1922; 720 million gold marks in cash; 1,450 million in kind to be paid for the year.

In case of default of deliveries in kind by Germany during 1922, the following statement was included in Article I, Section (b) of the Agreement:

"If the Reparation Commission finds, in the course of the year 1922, that deliveries in kind called for by France or her nationals or by any other Power entitled to reparation or its nationals in accordance with the procedure laid down by the Treaty or in virtue of a procedure approved by the Reparation Commission and within the limits of the figures above indicated have not been effected by reason of obstruction on the part of the German Government or on the part of its organizations, or by reason of a breach of the procedure of the Treaty, or of a procedure approved by the Reparation Commission, additional equivalent cash payment sshall be exacted from Germany at the end of 1922 in replacement of the deliveries not effected."

The Allied Finance Ministers at Paris approved the Loucheur-Rathenau Agreement for three years. Deferred credits not to exceed 350 million gold marks in 1922; 750 million in 1923-24; total deferred on May 1, 1926, not to exceed 2,100,000,000 gold marks. Of the 720 million in cash, Great Britain was to receive 159 million, of which she would lend 139 million to France; the remainder was to go toward the liquidation of Belgium's priority.

Germany had paid 282 million in ten-day installments; 438 million in cash to be paid during the remainder of the year as follows: April 15, 18 million; 50 million monthly from May 15 to October 15, inclusive; 60 million on November 15 and December 15. Of payments in kind, 950 million to France; 500 million to the other Allies, as far as orders should be placed.

March, 1922

Exchange $1=279 M.

April 21, 1922

Germany pays 18 million gold marks, according to the decision of March 21.

April, 1922

Exchange $1=289 M.

May 16, 1922

Germany pays 50 million gold marks, according to the decision of March 21.

May 24, 1922

Committee of Experts and Bankers meets to consider loan to Germany; finds loan impossible under present schedule of payments. These experts include d. Amelio (Italy), Delaroix (Belgium), R. Kindersley (Great Britain), G. Vissering (Holland), J. P. Morgan (United States), and Ch. Sergent (France). The Committee declared that no loan could be successful unless the investing public had confidence in the ability of Germany to meet her obligations. Such a loan would necessitate priority over other obligations of Germany. The French representative dissented, saying that he could not contemplate any diminution of the rights of France as recognized by the Treaty.

May 31, 1922

Reparation Commission grants Provisional Moratorium, effective this date.

May, 1922

Exchange $1=291 M.

June 2, 1922

Bemelman's-Cuntze Agreement—Final draft—to estabilsh a procedure for deliveries in kind. The Reparation Commission will accept contracts concluded between Allied and German nationals in accordance with ordinary commercial practice and will grant credit to Germany as for deliveries in kind. The German nationals receive payment from their own government. Lists of goods subject to these agreements were drawn up.

June 15, 1922

Germany pays 50 million gold marks.

June, 1922

Exchange $1 = 314 M.

July 12, 1922

Germany presents formal request for 2½ years' moratorium.

July 15, 1922

Germany pays 32 million gold marks of the 50 million due on this date.

July 19, 1922

Germany asks that monthly payments of pre-war debts through the clearing houses be reduced from 2 million pounds sterling to 500,000 pounds sterling up to December 31, 1922. Also that payment for damages to property rights and interest of Allied Nations be suspended.

July 20, 1922

Amended Loucheur-Rathenau Agreement comes into operation.

July 22, 1922

Germany accepts further measures of financial control for the period of the expected moratorium; the Committeed of Guarantees to supervise all German Government Departments.

July 25, 1922

German request of July 19 refused by the Allied Compensation Office.

July, 1922

Exchange $1 = 490 M.

Aug. 1, 1922

The Balfour note sent to France, Italy, Jugo-slavia, Roumania, Portugal, Greece with copy to the United States, stated that the payment of allied debts due to Great Britain were dependent on payments made by Great Britain to the United States.

The French Government threatens "Measures of Retortion," unless assured by August 5 that the 2 million pounds sterling due on August 15 through the Clearing Houses on private debts would be paid. Fearing these measures the German banks early in July removed their Paris balances amounting to 60 to 70 million francs to Holland and Switzerland.

Aug. 5, 1922

The Measures of Retortion introduced.

Adjustments of German claims on French nationals suspended. Payments to Germans of war losses in Alsace-Lorraine suspended, etc. All German State property in Alsace-Lorraine placed under seal.

Germany paid only 500,000 pounds and failed to meet further payments. On October 23 was freed from further payments under the Clearing House Scheme until July 23.

Aug. 7-14, 1922

Third London Conference.

France refuses to grant moratorium without further guarantees.

France to propose the establishment of a customs barrier on the eastern boundary of the occupied area, the seizure of State-owned forests and mines in the Rhineland and the payment of the 26 per cent. export levy direct to the Reparation Commission instead of to the Allied Treasurers; these proposals rejected.

The British propose to reduce total cash reparation payments to not more than 26 per cent. of exports. Proposal rejected.

Aug. 10, 1922

A mixed Claims Commission set up to fix the amount of American claims against Germany. This Commission met in Washington in October and its deliberations are now proceeding.

Aug. 14, 1922

Stinnes-De Lubersac Agreement drawn up to effect deliveries in kind in conformity with the Wiesbaden Agreement. The Aktiengesellschaft fur Hochund-Tiefbau (Hoch-und-Tief) is to make Reparation deliveries in kind and to charge 6 per cent. or less of the purchase price to cover expenses and profits. Deliveries are to be made by the Hoch-und-Tief to the Confederation Generale des Cooperatives des Regions Devastees. Each company will be represented in the Council of the other, and goods accepted by the Hoch-und-Tief cannot be refused by the Confederation, all orders being distributed among various German concerns. Distribution of coal to be used for the manufacture of these goods is to be made by Hugo Stinnes and deductions made from Reparation requirements to France. This Agreement is to deal mainly in building materials.

Aug. 31, 1922

Reparation Commission grants six months' moratorium; payment to Belgium Government to be made in Treasury bills.

August, 1922

Exchange $1 = 1011 M.

Sept. 18, 1922

The Reichsbank guarantees the Belgian Treasury bills after negotiations with the Bank of England.

The French delegate refuses to ratify the arrangement, holding guarantees insufficient.

Sept. 25, 1922

Germany handed over to the Reparation Commission Treasury bills for 96 million gold marks to be paid to Belgium; the balance of four million being credited in respect of merchandise. Subsequently these bills were discounted by British and Swiss banks. Since they will have a tenor of only six months the result is to postpone cash payments until 1923.

Sept., 1922

Exchange $1 = 1462 M.

Oct. 14, 1922

Sir John Bradbury proposes a two year moratorium, Germany to furnish five year Treasury bills instead of cash.

The Reparation Commission to remove to Berlin.

The mark to be stabilized. France opposes.

The Allied Clearing Offices free Germany from further payment of pre-war private debts until July, 1923.

End of Oct.

Reparation Commission goes to Berlin.

Oct., 1922

Exchange $1 = 3012 M.

A committee of private experts called by the German Government reports on the stabilization of the German mark. The majority report signed by Brant, Castle, Jenks and Keynes consider stabilization possible if concessions were granted. A moratorium must be granted until payments can be made from a real surplus and not from the proceeds of fresh inflation. An independent board of exchange control should be set up with an adequate gold supply from the Reichsbank. This board to purchase paper marks at a fixed rate. The minority report signed by Brant, DuBois and Vissering recommended an external loan of 500 million gold marks, and 500 million Reichsbank participation in order to stabilize the mark. Germany to receive a moratorium until the foreign loan is repaid.

Nov. 13, 1922

Germany proposes to advance the 500 million and requests the adoption of the minority report.

A moratorium is requested for three or four years covering cash payments and deliveries in kind, except those for the devastated areas.

November, 1922

Exchange $1 = 6803 M.

Dec. 7-11, 1922

Meeting of Allied Premiers in London.

France declared that all proposals for a moratorium in 1923 must include additional guarantees.

Germany submits a new proposal including a four year moratorium and internal and external loans to be backed by German industrialists.

Dec. 11, 1922

Allied Premiers stated that the German plan was unanimously found to be unsatisfactory.

The Conference adjourned until January 2, 1923.

Dec. 26, 1922

Reparation Commission declares Germany in voluntary default in timber deliveries to France during 1922. Great Britain declares that for this default Article I, Section (b) of the Agreement of March 21 should be applied, that is "additional equivalent cash payments shall be exacted from Germany at the end of 1922 in replacement of the deliveries not effected." France, supported by Belgium and Italy, declare that since the French Government officially invited the Commission to take note of the timber default, Annex II, Sections 17 and 18 of the Treaty of Versailles must be applied, that is, "in general, such other measures as the respective governments may determine to be necessary in the circumstances."

The amount of the default was about 500,000 gold marks, but the decision of the Commission to adopt the French point of view is significant.

December, 1922

Exchange $1 = 7353 M.

Jan. 2, 1923

Allied Premiers met in Paris.

British present new plan of reparation payments, abolishing London Schedule of Payments, substituting new series of bonds with four year moratorium, deferred interest at 5 per cent., an opportunity for amortization loan of about 30 billion gold marks.

French present plan for two year moratorium, cancellation of C bonds as a set-off to interallied debts and guarantees in Germany amounting to one billion gold marks annually.

Jan. 3, 1923

French and British fail to agree on their respective plans.

British leave conference, leaving the French, Belgians and Italians to discuss further plan.

The moratorium now lapsed and the first quarterly payment under the London Schedule, amounting to 500 million gold marks, was due January 15.

January 9, 1923

The Reparation Commission declares Germany in default on coal deliveries during 1922, Great Britain voting in the negative.

France decides to seize "productive guarantee" and informs Germany to that effect.

January 10, 1923

United States troops on the Rhine ordered to return.

Jan. 11, 1923

French and Belgian troops with engineers and technical experts enter Essen and the surrounding Ruhr territory.

Germany sends a note in protest to Allied Neutral Countries.

Jan. 12, 1923

Premier Poincare brings forwards a new plan of reparation settlements which includes a moratorium for one year, the allied control of German finance, and a continuation of the Ruhr Valley occupation.

Jan. 13, 1923

The Reparation Commission postpones the payment of 500 million gold marks due on January 15 until February 1.

Jan. 14, 1923

Germany notifies the Allied Powers that deliveries in kind and cash payments will be suspended to the Powers participating in the Ruhr occupation, that is France and Belgium, owing to the alleged violation of the Treaty of Versailles by the aforesaid Powers.

Jan. 16, 1923

The Reparation Commission declares Germany in default on deliveries in kind, other than coal and timber; this includes cattle, etc.

Jan. 18, 1923

France notifies the Rhineland High Commission to seize State-owned forests in the occupied territory and to collect the coal taxes formerly collected by the German Government.

Car loads and barge loads of coal in the Ruhr are requisitioned by the French authorities. Written acknowledgements are given which contain no promise to pay.

Jan. 23, 1923

Germany sends two notes to the Allied Powers protesting against the alleged violation of the Treaty of Versailles in the occupation of the Ruhr.

Jan. 27, 1923

Germany declared in general default on payments in cash and kind to France and Belgium on the basis of the German note of January 14, suspending payments to those Powers.

Germany notified that the 1922 moratorium lapsed on January 1 and that the London Schedule of Payments is effective from that date.

Jan. 31, 1923

The export of Ruhr coal to unoccupied Germany prohibited.

January, 1923

Exchange $1 = 14,285 M.

Feb. 4, 1923

France extends the occupation of the Kehl bridge head in order to control railway communication from the Rhineland to Switzerland and Italy.

French troops occupy the towns of Appenweier and Offenburg under provisions of Article 367, Treaty of Versailles, which provides that Germany shall for this purpose accept trains and carriages coming from the territories of the Allies and Associated Powers and shall forward them with a speed at least equal to that of her best long distance trains on the same lines.

Feb. 13, 1923

Belgian troops occupy the towns of Wesel and Emmerich.

Feb. 14, 1923

All exports from the Ruhr prohibited. Industry in the Ruhr district almost completely at a standstill.

PRESENT STATUS OF REPARATIONS

Last Published Accounts Reparation Commission, Total Payments and Balance Owing up to October 31, 1922:

(In thousands of Gold Marks)	Paym'ts Made	Bal. Due
On Pre-May 1, 1921, Army Costs and Coal Advances	2,619,809	926,487
On capital debt	2,553,905	134,950,095
On Post-May 1, 1921, Army costs	296,346	59,136
On Schedule of Payments a/c:		
On installments due 15 Oct. 1922....	2,171,292	1,930,784
On installments falling due 15 Nov. 1922	29,050	29,050
Net Army Payments Credited to Germany	650,000	
Total	8,275,000	137,895,553

Additional Army Costs since October 31 are accumulating at the following rate:

French and Belgian troops, 16 francs per man per day, British troops, 16 francs plus 2 gold marks per man per day, American troops, 16 francs plus 3 gold marks per man per day to January 24, 1923.

In March, 1923, the first series of six months' Treasury bills given to Belgium fall due.

In July, 1923, two million pounds sterling per month are due through the Clearing House Scheme for repayment of pre-war private debts.

Making the Farm Pay Better

By PROF. D. H. OTIS

Director, Agricultural Commission, American Bankers Association

Three Years of Trial of the Banker-Farmer Exchange Plan Has Demonstrated its Usefulness. Raises the Standard of Livestock. Better Results and a Better Market Without Material Increase of Cost to the Farmer. Increases Community Wealth

IT is self-evident that the raising of first class cattle and the planting of pure-bred seeds take but little if any more time than will inferior cattle and inferior seeds; that with improved livestock and dependable seed the earnings of the farmer are sure to increase in volume and in value. That thought was the forerunner of the Banker-Farmer Exchange idea —a plan by which the banker might aid the farmer toward the possession of better cattle and the production of better crops and find a ready market for his surplus.

The Banker-Farmer Exchange was born on a boat-trip at the time of the Annual Meeting of the Wisconsin Bankers Association in 1919. The plan was proposed by the Agricultural Committee of the Association, of which Burton M. Smith was Chairman. In order to get it started, the Bankers of the State subscribed to a guarantee fund of $10,000, covering a period of two years.

After three years of operation during which time there has been opportunity to give the plan a thorough test, the Banker-Farmer Exchange of the Wisconsin Bankers Association has been found to be an actual and a decided help to farmers, and incidentally to the banks of farming communities.

Working of the Exchange

The plan by which the idea is worked out is as follows:

Any farmer in the State who has any grade or pure-bred livestock for sale can step into the bank where he does his banking business and on blanks furnished to the bank can list what he has to offer giving the number, age, color, records, and price, etc. Any farmer who wishes to purchase a horse or a cow or even a carload of stock can notify the banker of the kind and number of stock that he wishes. These listings are sent to a central office where the prospective purchaser is put in touch with the listings of stock for sale that come the nearest to meeting his requirements, and which are as near as possible to his locality.

Using Reliable Field Men

With the development of the work of the Banker-Farmer Exchange, we found that there was a large number of inquiries coming in for carload lots of improved dairy cattle. In order to handle these buyers efficiently it was necessary to secure reliable field men. This was done by getting in touch with local banks and having the banker recommend a reliable man who was a good judge of stock, who was well acquainted with the farmers, and commanded their respect, and who was in a position to meet buyers with his automobile and take them from farm to farm, show them the stock that was for sale, and when found satisfactory by the buyer, help in assembling, testing and shipping. These field men are expected to keep posted on the livestock for sale in their respective communities. They are to steer the buyers from herds that are known to be affected with tuberculosis, or that have contagious abortion, in other words these field men are expected to give a square deal to both the seller and the buyer. For the services rendered by the Banker-Farmer Exchange including the services of the field man and his automobile, the buyer pays a five percent. commission. This commission is divided equally with the local field man.

The 1922 Report

During 1922 the Banker-Farmer Exchange experienced a marked growth. It had inquiries for over 12,000 head of dairy cattle, an increase of 50 percent over the preceding year. The records show 58 carloads sold as compared with twenty-three carloads in 1921. Of these nine carloads went to the state of Maryland, eight to Illinois, four each to Ohio and Minnesota, three each to Iowa, North Dakota, and Missouri, two each to Montana, South Dakota, Florida, Mississippi, and Canada, and one each to Washington, Michigan, Indiana, Georgia, New York and Kansas, the balance were sold to parties in Wisconsin.

Total Sales

The value of the livestock sold during the year amounted to $115,575 as compared with $37,092 in 1921. The business transacted during the year showed an increase of over 165 per cent.

An encouraging feature of the work is found in the repeat orders. Buyers seem to be pleased with the service they have received and are not only coming back themselves but are referring others to the Exchange.

Another encouraging feature of the work is the increased interest that is developing in the State. Parties are writing the Exchange for bulls with records and certain lines of breeding, they are also writing for cows and heifers for foundation stock. With the development of this type of work, the Exchange will be of material assistance in developing and improving the livestock of the State.

Some of the Major Problems

By JAMES E. CLARK

A CONGRESSIONAL investigation has been authorized to ascertain why there are not more state banks availing themselves of the benefits of membership in the Federal Reserve System.

One big element in the security and stability of a bank lies in the confidence of the people of the community in which the bank is located. No business is quite so sensitive to public opinion as banking. Raise a question as to the integrity of a bank and, no matter how lacking that question may be in merit, the institution is threatened with a blight which may carry it down to destruction in a few days.

In the conduct of this new investigation of the Federal Reserve System it might be worth while to give due consideration to the sensitive feature of banking, for the System is not immune from the influence of suspicion. Will this proposed investigation bring to light anything of sufficient value to outweigh the resulting damage in impairment of confidence if hostility or prejudice make this the occasion for the continuation of attacks upon it? A not very remote inquiry delved deeply into the affairs of the System. Apparently everything which this new investigation might touch upon has been anticipated and will be found in the voluminous records that are available.

The unfortunate thing in connection with the new proposal is that a Congressional Investigation is like a mammoth sounding-board which throws news to the farthest corners of the country, but does not differentiate impartially between facts and suspicions. The spectacular half-truth frequently gets the front pages of the newspapers, while on the following day the other half of the story, which would give an entirely different aspect of the situation, is lost in obscurity, thus leaving in effect a clear track for the mischief-making half-truth. And when after many months the whole story of the investigation is completed, in printed reports, nobody wants these volumes or has time to read them.

The Federal Reserve System, which is serving the banks, serving the individual through his local bank, and in turn the business of the country, ought at least to be entitled to the same business consideration as is the local bank,—not as a matter of mere sentiment, but as a matter of plain, hard-headed business!

Start Now

A mere warning of the danger of contracting a contagious disease ought to be sufficient in any intelligent community, but experience shows that a mere warning is not sufficient; quarantines are necessary. People have to be protected by repeated cautions and sometimes forcibly kept away from contagion even though they know of their own knowledge all the dangers entailed. A counterpart of this eccentricity of intelligence is found in things relating to business and to property. Though the whole world may be cognizant of an epidemic of false theories relative to business or government or both; though the evidences of sorrow, ruin and misery which false theories cause may be abundant and close at hand —not merely available for whoever seeks but actually thrust upon public attention—there are still men who will expose themselves and suffer the blight of the fallacies. The story of financial wreckage and ruin caused in North Dakota by the Non-Partisan League is too familiar and too recent to have been forgotten, but notwithstanding that disaster, there has been introduced in the Legislature of Arkansas, a bill to appropriate $1,000,000 for the establishment of the Bank of Arkansas. There has also been introduced a resolution providing for a Constitutional amendment that would repudiate issues of bonds such as those for drainage and the construction of roads. In Texas also there has been observed the effects of agitation suggestive of the epidemic which ran its course in North Dakota.

"Of course," says the Arkansas Banker, "neither this bill nor this resolution will be passed at this legislative session, but they constitute the entering wedge for a dangerous and misguided sentiment.

'Vice is a monster of so frightful mien,
As, to be hated, needs but to be seen;
Yet, seen too often familiar with her face,
We first endure, then pity, then embrace.'

"So it is with propaganda of the Non-Partisan League sort. It was that way in North Dakota—first unthinkable, then steadily grappling the body politic until all sound principles were cast aside by a triumphant horde of duped citizens. God forbid that it shall grow to any extent in Arkansas!"

Fallacies of this kind usually gain headway because at first they are ignored or not vigorously combated by the men who know the dangers. The banker is the custodian of the people's money. He ought to be as active and vigorous in his resistance to such movements as he would be if there was reported to him an elaborate plan for robbing or defrauding his bank, for the effect of crazy legislation is likely to be the same!

Not Due to Banks

An economic writer declares that all the present troubles of the world are due to banks and to a desire to control oil supplies, and proceeds to "prove" his case. But the recent troubles of the world, as well as those extending back to the days when men fought with clubs and knives, are due to fear, suspicion, selfishness, and the inborn desire of the individual for liberty and the enjoyment of the fruits of his own labor. The selfish ambitions of one man will contaminate a nation, as it did in the case of Germany; the fear of aggression will cause its neighbors to arm and sleep on their arms, as did Germany's neighbors.

The Way to Resume

After the Civil War in this country Horace Greeley, with sound common sense, declared: "The way to resume is to resume!" He kept that bit of advice standing in every issue of the New York Tribune. It was good doctrine and, situated as we were, more easily followed under the conditions then prevailing in America than under the conditions now prevailing abroad. Greeley and his adherents insisted upon an immediate return to specie payments, but for the rebuilding of agricultural prosperity abroad there is still no better plan.

Crop Curtailment

Competent authority says that America must, during the present year, feed about three million Russians. It is not to be expected that a lone farmer in Montana, Kansas, Missouri or Ohio, in planning his acreage for the coming season, will be greatly influenced by that fact. Any altruistic consideration he may have is pretty sure to be stifled by the stern remembrance of last year's prices, present prices and market conditions, his notes in the bank, and the bank's own trouble in carrying him. Nevertheless this country ought not lose sight of the fact that one reason why Russia is hungry is that her own people refused to till the soil because they —according to their judgment— had good reasons for deserting it. They fled from dangers they knew of to dangers that they knew not of. They refused to make such harvest as they could, and so prepared the way for Famine to reap its greatest harvest!

Turning a Disadvantage

"A reassuring prospect in the face of what would otherwise be a paralyzing blow," is the way Chairman Frederick Craufurd Goodenough of the Barclays Bank, Limited, of London, summed up the situation in which business in Great Britain finds itself as the result of the American Tariff. In his address at the general meeting of the shareholders, Mr. Goodenough presents a word picture of Great Britain, true to its traditions, turning a disadvantage into an advantage. Only little imagination is needed to visualize a vast world-wide commercial extension of the Empire which will meet and properly adjust British interests to the new condition which our tariff created.

Seeking New Sources

"The effect of the Fordney Tariff," said Chairman Goodenough, "must be to compel us to seek new sources of supply of foodstuffs and raw materials and to develop markets in other parts of the world, for our trade, especially in India, with its great population, and in the East, and in the Dominions and Colonies of the British Empire, who in their turn can send to America their raw materials and other merchandise which America cannot produce for herself.

"In this way, we shall still use the products of our industry to discharge our obligations to America, even although America will no longer accept our manufactures direct upon reasonable terms owing to the operation of the Fordney Act. Moreover, in this way we shall reap the fruit of the policy of Empire development upon which so much of British resources and enterprise has been spent in the past. It is a reassuring prospect in the face of what could not otherwise fail to be a paralyzing blow. It is a prospect worthy of our energies and our ambitions, and of the great traditions of our race. It is a policy of consolidation, but coupled with expansion and progress. In the development of this great policy, we shall lighten and relieve the losses that we have suffered in the war and in its aftermath. It will afford great opportunities for employment and for advancement, both for men and for women who are ready to take advantage of them. It will afford our people an outlet to satisfy the natural desire for progress and for betterment, which is perhaps one of the fundamental causes of much of the unrest of the present time.

"There are many ways by which such a policy may be encouraged and matured. The Dominions and Colonies of the Empire can invite our would-be settlers there. If they are experiencing a wave of depression today, it is partly for want of population, which is the first essential to trade, and we on our part can and should provide the funds for fresh development. The London market can make loans, but besides this, direct advances might be made by the British Government to promote schemes of development in their initial stages, until such a period as they are ripe for the attention of the permanent investor.

"Railways can be built and lands at present unproductive can be opened up for the production of these necessaries which are indispensable to a growing population, and to the people of those other parts who cannot themselves provide for their daily needs.

"Such a policy, backed by the credit and resources of this country, should serve to remove many of our present difficulties and build up a strong position for the future."

A. B. A. Delegates to Rome

The second general meeting of the International Chamber of Commerce will be held March 19-26 at Rome, Italy, and will take up problems of world business conditions. The delegates of the American Bankers Association appointed to represent it at the meeting are as follows: Fred I. Kent, Vice-President, Bankers Trust Company, New York, chairman; George M. Reynolds, Chairman of the Board, Continental & Commercial Bank, Chicago; Oliver C. Fuller, President, First Wisconsin National Bank, Milwaukee; Melville A. Traylor, President, First Trust & Savings Bank, Chicago; Oliver J. Sands, President, American National Bank, Richmond, Va.

New Bank Supervisors

The following changes have been made in the banking departments of various states: A. E. Jackson succeeds H. H. Montgomery as Superintendent of Banking in Alabama; J. Frank Johnson succeeds Jonathan S. Dodge as Superintendent of Banks of California; C. J. Peterson succeeds F. H. Foster as Bank Commissioner in Kansas; Joe H. Strain succeeds Roy Wolcott as Bank Commissioner in Oklahoma; and Dwight T. Parker succeeds Marshall Cousins as Commissioner of Banking in Wisconsin. A successor to J. E. Hart, State Bank Commissioner of Nebraska, has not yet been appointed. Thomas K. Johnston is Acting Bank Commissioner of New Jersey since the death of Wm. E. Tuttle, Jr., February 11, 1923. No formal appointment has yet been made.

OPINIONS OF THE GENERAL COUNSEL

THOMAS B. PATON
General Counsel

Stock Dividend on Pledged Stock

A bank as pledgee of stock of a national bank is entitled to a stock dividend declared by the bank upon such stock, as against estate of the pledgor.

From New Jersey: A peculiar case has arisen in connection with a loan that we made some time ago to an individual now deceased. This loan was secured by certain shares of stock of a national bank. Shortly after the individual's decease, it was learned that his estate was insolvent, and the bank, whose stock collateraled the loan, was appointed administrator. Subsequently, the bank declared a stock dividend which naturally depreciated the value of the shares of stock held by us as collateral. We made a demand upon the administrators for the delivery of the stock represented by the stock dividend, and our demand met with refusal on their part, they claiming this stock dividend to be the property of the estate. The situation is entirely new, being caused by the declaration of a stock dividend, which is more or less a new departure of corporations.

It would seem, in the case you state, that your bank, as pledgee of the stock, is entitled to the stock dividend and the bank has a right of action against the estate of the deceased pledgor for its recovery.

The rule is well settled that dividends accruing upon pledged stock belong to the pledgee. (Hunsaker v. Sturgis, 29 Cal. 142; McCrea v. Yule, 68 N. J. L. 465; Herman v. Maxwell, 15 J. & S. (N. Y.) 347; Boyd v. Conshohocken &c. Mills, 149 Pa. St. 363). A pledgee is entitled to collect a cash dividend upon stock, and to hold it as he holds the stock itself. (Hagar v. Union Nat. Bank, 63 Me. 509; Central Nebr. Nat. Bank v. Wilder, 32 Nebr. 454; McCrea v. Yule, 68 N. J. L. 465). If the pledgee omits to obtain a transfer upon the books of the corporation, the corporation is, of course, justified in paying the dividends to the pledgor; but the latter is a trustee of the pledgee therefor, and must account to him. The dividends follow the legal title in such a case as between the parties, for, until the corporation is wound up, all there is of a share is a right to future profits or dividends. If the pledgor collects the dividends, he holds them in trust for the pledgee, and an action to recover them may be maintained by the pledgee. (Guarantee Co. v. East Rome Town Co., 96 Ga. 511; Gaty v. Holliday, 8 Mo. App. 118; Meredith &c. Sav. Bank v. Marshall, 68 N. H. 417; Hill v. Newichawanick Co., 71 N. Y. 593; McCrea v. Yule, 68 N. J. L. 465; American Nat. Bank v. Nashville &c. El. Co. (Tenn.) 36 S. W. 960). The above rule likewise applies to an issue of new stock in the nature of a stock dividend. (Fairbanks v. Merchants' Nat. Bank, 132 Ill. 120, 22 N. E. 524; Jones on Collateral Securities, Sec. 398).

Guaranty to Bank

A executes a guaranty to a bank covering present and future indebtedness of X Company with authority to the bank to extend the time of payment without notice. After the death of the guarantor the bank renews a note of X Company, returning the old note as paid. Question arises whether the guarantor's estate is released. Opinion: The guaranty was terminated as to future transactions by the guarantor's death and notice thereof and as his death revoked his consent to a renewal, his estate is released from liability.

From Illinois:—We enclose copy of guaranty contract we are using: (Form of bank guaranty recites that for value received and to enable X Company to obtain credit from time to time from the bank, the guarantor requests extension of credit to X Company and guarantees payment at maturity or thereafter of all indebtedness, liabilities and obligations of X Company now owing or due or which may hereafter be owing or due and howsoever heretofore or hereafter created. The guaranty contains a clause authorizing and giving consent to the bank to extend the time of payment without notice to the guarantor and a further clause which makes the guaranty binding upon his heirs, legal representatives and assigns.) A certain guarantor died about two months ago and the indebtedness which he guaranteed was evidenced by several notes. Two of these were renewed last week, the past due notes being returned to the debtor company marked "Paid by renewal." Is it your opinion that delivery of these cancelled notes releases the estate as to that amount. The estate has not been closed.

The general rule is that where the guaranty is one which could be ended at the will of the guarantor, while living, it will be terminated as to future transactions by his death and notice thereof. (Valentine v. Donohoe-Kelly Bank. Co., 133 Cal. 191; Hyland v. Habich, 150 Mass. 112; In re Kelley, 173 Mich. 492, 139 N. W. 250; Hard v. Mingle, 206 N. Y. 179, 99 N. E. 542; Spokane Exch. Nat. Bank v. Hunt, 75 Wash. 513, 135 Pac. 224). But such termination will not affect transactions which were executed prior to such death. (Hard v. Mingle, 206 N. Y. 179, 99 N. E. 542). And while the rule is well recognized that a guarantor is not discharged by an extension of time for payment or performance if he consents thereto, as where the contract of guaranty expressly or impliedly provides for the extension, (Mc Geever v. Terre Haute Brew. Co. 201 Ala. 290, 78 So. 66; Valley Nat. Bank v. Cownie, 164 Iowa 421; Union Trust Co. v. Knabe, 122 Md. 584. 89 Atl. 1106; Woelfel Rotan Grocery Co. [Tex. Civ. App.] 184 S. W. 803) or provides that any extension of time shall not release the guarantor from liability, (Redondo First Nat. Bank v. Spalding, 177 Cal. 217, 170 Pac. 407; Heberling &c. Medicine Co. v. Smith, 201 Ill. App. 126; Deering v. Russell, 5 N. Dak. 319; Koenigsberg v. Lennig, 161 Pa. St. 171; Neblett v. Cooper Grocery Co. (Tex.) 180 S. W. 1162) yet the rule has been laid down in several jurisdictions, and among them Illinois, that extending the time of

payment of the principal's obligation after the guarantor's death, or renewing a note after such death, is not binding on the guarantor's estate. (Home Nat. Bank v. Estate of Waterman, 134 Ill. 461, affirming 30 Ill. App. 535, where it was held that the death of a surety operates as a revocation of the authority of the guarantee, under an agreement, to make a contract for the extension of the time of payment; Nat. Eagle Bank v. Hunt, 16 R. I. 148).

Under this Illinois decision it would appear that in the case submitted, the estate of the deceased is released from liability on the two notes renewed after the death of the guarantor, since his death revoked his consent to renewals and extensions of such notes.

Stop Payment of Check

Where the drawer stops payment of his check the bank is under no duty to a holder in due course subsequently presenting the check, to set aside the amount in a special fund; but must refuse to pay the check and leave the holder to his recourse upon the drawer and prior indorser.

From Indiana:—A check is presented to the drawee by a holder in due course who is an indorser subsequent to the payee. Payment of the check having been previously stopped, the check is marked "payment stopped" and handed back to the holder. Is the bank in duty bound, or is it advisable for the bank, under any circumstances, to charge the maker's account and lay aside in escrow the amount of the check pending a settlement by suit or otherwise to determine who is entitled to the money?

There is no duty or obligation on the part of a drawee bank where payment of a check has been stopped and it is later presented by a holder in due course, to charge the maker's account therewith and set aside the amount in a special fund, pending determination of the right thereto as between the holder in due course of the check and the drawer. Under Section 189 of the Negotiable Instruments Act (Sec. 9089 (g) 7, Burns Anno. Ind. Stat.) "a check of itself does not operate as an assignment of any part of the funds to the credit of the drawer with the bank and the bank is not liable to the holder unless and until it accepts or certifies the check."

A check being a mere order upon and authority to the bank to pay, it follows that when the drawer stops payment of his check he revokes the authority of the bank to pay it and in the face of such revocation, the bank has no right or authority to pay and charge the check to the account of the drawer and set the amount aside as a special fund. The bank's duty and obligation runs to the drawer and not to the holder. If the bank should set aside the fund and refuse to pay a subsequent check of the drawer it would be liable to him in damages. But if the bank obeys the stop order, the holder has no recourse upon it and is limited to an action against the drawer and prior indorser upon the stopped check.

Deed to "A and Heirs of Her Body"

A deed to "A and heirs of her body" is to be construed as conveying an estate in fee simple to A, so that a mortgage by A and her husband operates as a lien upon the whole estate created.

From Kansas:—A deed was made to "Sarah Jones and the heirs of her body." Sarah Jones and her husband gave a mortgage on this property. Will this mortgage be a lien on the entire tract of land? At the time the deed was given there were two children. At the present time there are six. If Sarah Jones does not have title to all the property, what portion does she control?

The words "heirs of the body" when used in a deed as words of limitation indicate all those persons who, upon the death of the immediate ancestor, succeed to the estate from generation to generation. (Aetna L. Ins. Co. v. Hoppin, 249 Ill. 406, 94 N. E. 669).

Such words are presumed to be used technically unless the contrary appears on the face of the instrument. (Dotson v. Kentland Coal &c. Co., 150 Ky. 60, 150 S. W. 6).

And where these or equivalent words are used in a grant to a person and such heirs, they will be construed as words of limitation and will pass the fee to the first named grantee, (Bradford v. Howell, 42 Ala. 422; Braze v. Henson, (Ark.) 195 S. W. 359; Lane v. Cordell 147 Ga. 100; Lane v. Utz, 130 Ind. 235, holding that a deed which "conveys and warrants" certain real estate to the grantee "and to the heirs of her body," falls within the rule in Shelly's Case, and vests in such grantee an absolute fee]; Duncan v. Medley, 160 Ky. 784, 191 S. W. 520; Ware v. Richardson 3 Md. 505; McKenzie v. Jones, 39 Miss. 230; Brant v. Gelston 2 Johns. Cases (N. Y.) 384; Marsh v. Griffin, 136 N. C. 333; Bingham v. Weller, 113 Tenn. 70; Singletary v. Hill, 43 Tex. 588) unless it appears from the instrument that they were used as words of description to designate certain persons, in which case they will be construed as words of purchase and not of limitation, (Aetna L. Ins. Co. v. Hoppin, 214 Fed. 928; May v. Ritchie, 65 Ala. 602; Jarvis v. Quigley, 10 B. Mon. (Ky.) 104; Fanning v. Doane 128 Mo. 323; Jones v. Whichard, 163 N. C. 241; Self v. Tune, 6 Munf. (Va.) 470) as where by the context they are shown to have been used in the sense of "children." (Wilsle v. McGraw, 91 Ala. 631; Adams v. Merrill, 45 Ind. App. 315; Scott v. Scott, 172 Ky. 658, 190 S. W. 143; Rembert v. Evans, 86 S. C. 445).

They will not be construed to mean "children" where such interpretation would defeat the clear intention of the grantor to convey his entire estate in the land. (Braynan v. Tribble, (S. C.) 95 S. E. 137).

A familiar canon of construction is that where the terms of a deed are so ambiguous that the mind is left in doubt as to whether the deed is intended to pass the fee in the land or a life estate, it will be construed to pass a fee rather than a life estate or a joint estate, and this construction should prevail where the language does not indicate the purpose to convey a life estate or any estate less than a fee. (Belcher v. Ramey, 173 Ky. 785, 191 S. W. 520, (holding that where the words "heirs of the body," "bodily heirs," "heirs lawfully begotten of the body," and other similar expressions are used in a conveyance, they are construed to be words of limitation and not of purchase, and to

create estates tail, at common law, which by the statute, are converted into fees, and this construction must be placed upon such words, unless from the consideration of the entire deed there appears something else in the deed from which it may be concluded that these words or others of similar import were used in a sense different from their legal meaning, as for instance in the sense of the word "children.")

In Duffield v. Duffield, (Ill. 1920) 127 N. E. 709, where the grantee in the deed was "John J. Duffield and the heirs of his body, grantee," it was held that the granting clause conveyed without limitation an estate in the present possession to the grantee named in the premises, and that a fee-simple, not a fee-tail, estate was conveyed, since there could be no heirs of the body of a living person, and the named individual was therefore the sole grantee.

And see Duffield v. Duffield 268 Ill. 29, 108 N. E. 673, holding that a deed naming "Henry T. Duffield and the heirs of his body, grantee," and by which the grantor "grants, bargains, sells and conveys unto said grantee" certain described lands, there being no habendum clause, does not purport to grant a future estate or a life estate to the said Duffield with remainder to the heirs of his body, but purports to grant an immediate estate in possession.

From the foregoing rules of construction it would seem to be clear that in the case submitted the deed should be construed as conveying an estate in fee simple to "Sarah Jones," and that the mortgage executed jointly by her and her husband operates as a lien upon the whole estate created and conveyed by the deed in question.

Liability of Pledgee of National Bank Stock

The holder of a note secured by National bank stock collateral inquires as to his liability for assessment against such stock in event of failure of the bank. Opinion: The pledgee is not liable for assessment as stockholder, unless the stock has been transferred on the books to him in such manner as to make it appear that he is the real owner.

From Kansas:—"A" holds a note executed by "B" and secured, among other collateral, by national bank stock. Reports of the conditions of the national bank, whose stock was held among these collaterals are not very favorable and the holder of the note is relying largely upon other collateral for his security. He asks the question whether if the national bank should become insolvent and go into liquidation he as holder of the stock, as collateral, would be in any way liable for assessment against such stock.

The pledgee of national bank stock held as collateral is not liable for assessment as a stockholder upon the insolvency of the bank, unless the stock has been transferred on the books to the pledgee in such manner as to make it appear that he is the real owner. The mere holding of the stock as collateral, where it is registered in the name of the borrower, does not involve the pledgee in liability.

The following citation of authorities illustrates more in detail the various phases of the subject:

The rule is well settled that a pledgee of stock in a national bank does not become liable as owner for the debts of the corporation, where his name does not appear on the books of the bank or on the certificate of stock as owner; (Ohio Valley Nat. Bank v. Hulitt, 204 U. S. 162; Rankin v. Fidelity Ins. Co., 189 U. S. 242; Robinson v. Southern Nat. Bank, 180 U. S. 295, [holding that there is a presumption in such cases against any intention on the part of the pledgee to become owner of the collateral shares.]; Anderson v. Philadelphia Warehouse Co., 111 U. S. 479; Williamson v. American Bank, 185 Fed. 66; Higgins v. Fidelity &c., Ins. Co., 108 Fed. 475; Wilson v. Merchants L. & T. Co., 98 Fed. 688; Banker v. Old Nat. Bank, 86 Fed. 1006) and a pledgee has been held not liable, even though he took out a new certificate in his own name as pledgee, (Rankin v. Fidelity Trust Co., 189 U. S. 242; Pauly v. State L. & T. Co., 165 U. S. 606, (holding that a creditor who receives from his debtor a transfer of shares in a national bank as security for his debt, and who surrenders the certificates to the bank, and takes out new ones in his own name, in which he is described as *pledgee,* and holds them afterwards in good faith as such pledgee and as collateral security for the payment of his debt, is not a shareholder, subject to the personal liability imposed upon shareholders of national banks by U. S. Rev. Stat. Sec. 515]; Nat. Park Bank v. Harmon, 79 Fed. 891) or caused the shares to be transferred on the books to himself "as collateral," (Beal v. Essex Savings Bank, 67 Fed. 816) or to a third person under an agreement to hold them as security for the debt. (Pauly v. State L. & T. Co., 165 U. S. 606; Anderson v. Philadelphia Warehouse Co., 111 U. S. 479, Hayes v. Fidelity Ins. &c. Co., 105 Fed. 160). Under such circumstances the pledgor remains liable as owner. (Ohio Valley Nat. Bank v. Hulitt, 204 U. S. 162, where the court said: "Assuming then the established doctrine to be that the mere pledgee of national bank stock cannot be held liable as a shareholder so long as the shares are not registered in his name, although an irresponsible person has been selected as the registered shareholder, we deem it equally well settled, both from the terms of the statute attaching the liability and the decisions which have construed the act, that the real owner of the shares may be held responsible, although in fact the shares are not registered in his name. As to such owner the law looks through subterfuges and apparent ownership and fastens the liability upon the shareholder to whom the shares really belong.") Where, however, the stock is transferred in such a manner as to make it apparent that the pledgee is the real owner, he is liable as such owner for the debts of the bank, (Ohio Valley Nat. Bank v. Hulitt, 204 U. S. 162; Germania Nat. Bank v. Case, 99 U. S. 628; Pullman v. Upton, 96 U. S. 328; Wilson v. Merchants' L. & T. Co., 98 Fed. 688; Baker v. Providence Old Nat. Bank, 86 Fed. 1006; Wheelock v. Kost, 77 Ill. 296; Hale v. Walker, 31 Iowa 344; Magruder v. Colston, 44 Md. 349) even though the loan had been paid at the time of the suspension of the bank, and although he had delivered to the borrower the certificate with power of attorney to retransfer the stock. (Bowden v. Farmers' &c. Bank, 3 Fed. Cas. No. 1714).

Lien of Missouri Corporation Franchise Tax

At common law the taxes levied subsequent to the execution of a mortgage or deed of trust on real estate do not have priority, in the absence of express legislation, but it is competent for the legislature to make taxes a paramount lien. In Missouri, by statute, judgment in favor of the state in suits brought to collect the corporation franchise tax are made first lien on all the assets and property of the corporation.

From Missouri:—We would like your opinion as to whether or not the state Franchise tax in our state would be a lien in preference to a deed of trust made before the current year of the tax. We refer to the corporation franchise tax. We wish to know whether the tax would be a first lien, or the deed of trust.

The general rule is that taxes levied subsequent to the execution or recording of a mortgage or deed of trust on realty do not have priority over it unless by express legislation (Dows v. Drew, 27 N. J. Eq. 442). However, it is competent for the legislature to make taxes a paramount lien on the property of the taxpayer, and this has been done in many states, the consequence being that the lien for taxes takes precedence of every other lien or claim upon the property of whatsoever kind, however created, and whether attaching before or after the assessment of the taxes. (Rohrer v. Oder, 124 Mo. 24; Keating v. Craig, 73 Mo. 507; Wyman v. Mining Co., (Oreg.) 197 Pac. 289, (holding that Or. L. Sec. 4328, providing that tax liens shall have priority to and be paid before any judgment, mortgage, or other lien, etc., makes a tax lien superior to a *prior* mortgage lien.) By Sec. 9836, Art. 1, Ch. 90, Rev. L. Mo. 1919, as amended by Sec. 1 of Act Aug. 4, 1921, every corporation organized under the laws of the state is required to pay an annual franchise tax of 1/20 of 1 per cent. of the par value of its outstanding capital stock and surplus (Laws Mo. 1921, p. 122). And by Sec. 9843 of the Act, as amended by Sec. 7 of Act Aug. 4, 1921, suits for collection of such tax may be brought in the name of the state in any court of competent jurisdiction and any judgment rendered therein in favor of the state shall be *a first lien* on all property and assets of the corporation within the state. (Laws Mo. 1921, p. 125).

Saving $50,000,000 In Grain

By HARRISON FULLER

THE fact that the rural banks are heart and soul with the farmer in his efforts to solve his practical problems has an exemplification in the co-operation the country bankers are giving in the campaign to reduce black stem rust losses in the north central states.

Black rust of grain, agricultural scientists have found, can be controlled by the eradication of the common barberry bush, on which this plant parasite breeds in the spring. For the last five years the federal government has been engaged in an effort to rid the spring-wheat states of barberries. During the first four years the progress was steady but not particularly impressive for the reason that the funds devoted to the enterprise were inadequate and the farmers, who were especially to benefit by the success of the undertaking, were skeptical of promised results and far from enthusiastic in their co-operation with the government experts.

Faced by the danger that rust would force the northwest out of the business of raising hard spring wheat and confident that barberry eradication was the solution of the problem, plant pathologists, farsighted business men and public officials of states in the grain belt set about in 1922 to remedy the situation. They organized the governors, farm bureau presidents, state commissioners of agriculture and agricultural college deans into a body taking the name of the Conference for the Prevention of Grain Rust and establishing headquarters at Minneapolis. The purpose of this organization was, to bring pressure to bear upon Congress and the legislatures of the several interested states to increase the appropriations for barberry eradication, and to carry out a program of education to enlist the fullest co-operation of the farmers.

The matter was effectively presented at Washington with the result that appropriation was more than doubled. Then the Conference devoted itself to arousing public interest in the undertaking. The bankers were among the first to be approached.

The Twin City banks saw the merit of the plan to save grain growers from an average annual loss of $50,000,000 and took the lead by subscribing a substantial sum for the preparation of literature to be distributed through corresponding banks serving rural communities.

The result of all this activity is that the spring wheat states are now thoroughly converted to barberry eradication. They are determined to escape from the menace of black stem rust. The United States Department of Agriculture estimates that the barberries will be well cleaned out of the states of Montana, Wyoming, Colorado, North Dakota, South Dakota, Minnesota, Nebraska and Iowa by the end of this year. With the same support for the campaign in 1924 the work may be completed in Wisconsin, Illinois, Michigan, Indiana, and Ohio. Then farmers may begin to look for certain relief though it may take a year or so more to clean up entirely some of the more difficult localities, like the lawns of the greater cities and some of the wild areas in the states east of the Mississippi.

A. B. A. Official Announcements

Spring Meeting at Rye April 23-26; Annual Convention at Atlantic City in September

The Spring Meeting

The Spring Meeting of the Executive Council of the American Bankers Association will be held this year at the Westchester-Biltmore Country Club, Rye, N. Y., on April 23, 24, 25 and 26.

Westchester-Biltmore Country Club at Rye, N. Y.

Rye, close to Long Island Sound, and but 24 miles from New York City, is reached by the New York, New Haven and Hartford Railroad from the Grand Central Terminal, New York. The Westchester-Biltmore, one of the most recently established country clubs in the environs of New York, sprung into immediate popularity upon being opened. It is one of a group of eleven institutions among which are the Commodore and the Biltmore, New York, known as the Bowman Hotels.

The Spring Meeting will be preeminently a business conference. The programme is being prepared with the thought of giving to the bankers who attend the maximum of business benefits; and at the same time of bringing out discussions and interchange of opinions and experiences which will be valuable to banking and to business.

Westchester County has been famed as one of the garden spots of the United States. The selection of this year's meeting place carries with it all the benefits of the country and the nearness of New York affords also the opportunity to transact business in the metropolis on the occasion of the meeting.

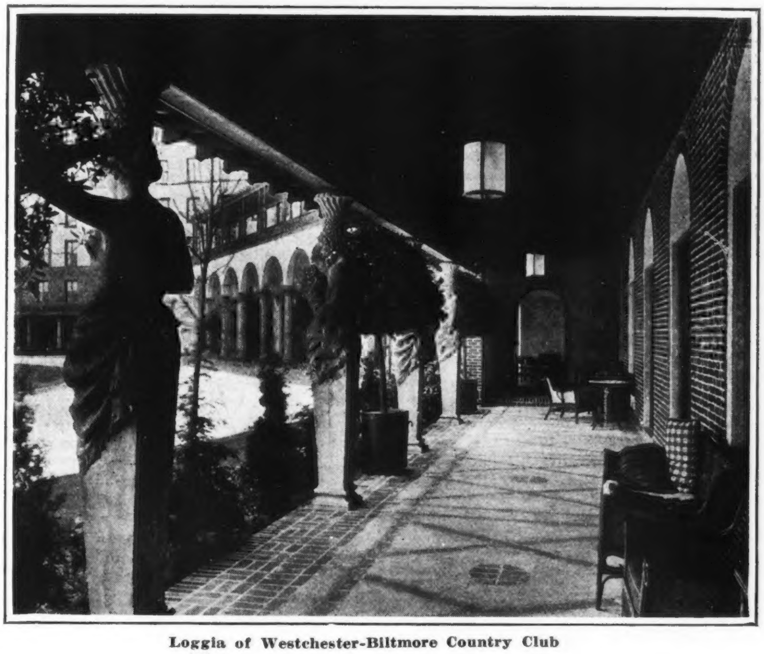
As heretofore the railroads make a special rate of a fare and a half for those attending.

Convention at Atlantic City

The 1923 Convention of the American Bankers Association will be held at Atlantic City, September 24 to 27 inclusive.

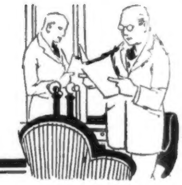
The headquarters will be at the Hotel Traymore and the Committee meetings will be held in the Hotel. The General Sessions of the Convention however will be held in the Auditorium on the "Million Dollar" pier which is in close proximity to the Hotel Traymore.

The selection of this meeting place carries with it many advantages. Atlantic City is a city of hotels and is one of the most popular convention cities in the United States.



Loggia of Westchester-Biltmore Country Club

RECENT DECISIONS



DIGESTED BY THOMAS B. PATON, JR.,
Assistant General Counsel

Right of the True Payee to Recover from Purchaser Who Cashed Check on a Forged Indorsement—Alabama

A railroad company prepared a check on a bank in St. Louis, payable to one Allen, and forwarded to its agent at Birmingham, to be delivered in payment for services performed by Allen.

In some way unknown to the company, but probably by larceny or fraudulent impersonation of the payee, the check fell into the hands of a stranger, an imposter who forged Allen's indorsement and then cashed the check with a firm named Mendelsohn & Sons, in payment for merchandise. This firm collected the money from the bank in St. Louis. Allen, who never received the check, then brought an action of assumpsit against the firm. It was contended in the lower court that the action could not be maintained on the ground that without delivery of the check to Allen he acquired no title. The Supreme Court, however, allowed Allen to recover, stating that "it may be thought hard that defendants, if they were duly cautious, should be liable at all; but on the law and the facts heretofore recited, it is entirely clear that defendants had no property in the check, have none in the proceeds, and are liable to be sued by somebody for the money which they have received. Moreover, if plaintiff is allowed to recover from defendants, his election will put an end to the matter, for the drawer of the check intended it for plaintiff, and defendants, however innocently, received the money as upon plaintiff's indorsement, and, but for their intermeddling, however innocently, it would have reached plaintiff. Therefore defendants do not appear to be in a position to deny plaintiff's ownership. Shaffer *v.* McKee, 19 Ohio St. 526, is a case in point." Allen *v.* M. Mendelsohn & Son, 93 So. 416.

Giving of Postdated Check Not Condemned by Prohibition Against Delivering Check Without Funds in Bank—New Jersey

On May 1st, 1921, a man named Joseph Barone, purchased a second hand automobile for $600, giving the seller in part payment therefor his check for $150, postdated on the 5th day of May At the time of the purchase Barone had no funds in the bank upon which the check was drawn and he informed the seller of this fact when the check was delivered. Barone was indicted under the Criminal Procedure Act making it a misdemeanor to deliver a check where the maker knows he has not sufficient funds in the bank for its payment. The court held Barone guiltless of the charge, saying: "The giving of a postdated check carries with it no such implication, but rather the contrary. It is a mere promise to discharge a present obligation on a future day. And the fact of its nonpayment when the due date arrives—without more—is no more evidence that it was given with fraudulent intent than is the permitting of a promissory note to go to protest proof of such intent, or the failure to pay the purchase price of goods sold on credit, standing alone, evidence of fraud in the making of the contract." State *v.* Barone, 118 Atl. 779.

WHERE a check was stolen and upon the forged indorsement of the payee thereon was cashed by a merchant, the true payee is allowed to recover from the merchant in an action of assumpsit. As the merchant is liable to be sued by the drawee which paid him the check, the true payee's election to sue the merchant will put an end to the matter.

ALTHOUGH in Florida a married woman has no capacity to make contracts, it has been held that the legislature may depart from the common law and make married women liable as stockholders of corporations for debts to creditors.

THE giving of a post dated check is a mere promise to discharge a present obligation on a future day, and the fact of its nonpayment when the due date arrives—without more—is no more evidence that it was given with fraudulent intent than is the permitting of a promissory note to go to protest proof of such intent.

WHERE a bank returned cancelled checks to a drawer within one week after they were cashed and the drawer at that time discovered forgery but did not give the bank notice of it until six months later, bank was discharged from liability for paying these checks.

THAT burglars blew off a safe door which was more difficult to open than a safety deposit vault, was held no defense for leaving vault door open.

PAYEE, who deposited checks with one bank, has no cause of action against other bank, with which they were deposited; the payee and such bank being strangers.

Depositor's Failure To Examine Statement and Cancelled Vouchers and Notify the Bank of Error is an Admission of the Account's Correctness—United States

A colonel in the United States Army drew two checks aggregating the sum of $6205.49. These checks were delivered to one Lieut. Hall, Mess Officer of the 348th Infantry, to deliver to the payees named therein in satisfaction of their claims for army supplies.

The lieutenant, by the use of erasing fluid, removed the names of the payees in each of the checks and substituted the name of other payees. He then secured the money on the checks and absconded.

An action was brought by the United States against the drawee bank to recover the amount on the ground that payment upon the forged indorsements was not chargeable to the Government's account.

The facts show that the checks were paid on January 27, and that the drawer received these checks as cancelled vouchers from the bank together with a statement on the following February 4. It was also proved that the drawer gave to the bank no notice that either of the checks had been changed until some time in September, 1918, which was more than six months after the drawer had discovered the forgery, and that meanwhile the drawer and its officers had seized all of the property of Lieut. Hall, amounting to $3500, so that it was then too late for the bank to protect itself.

The court held that the United States should not be allowed to recover, and that the bank was discharged from liability for paying these checks. It stated that a failure by the depositor to examine his statement and cancelled checks and notify the bank of any error in his account or defective checks, within a reasonable time after receiving

them, is a conclusive admission of the correctness of the account. The court also held that "a government may suffer loss through the negligence of its officers. If it comes down from its position of sovereignty and enters the domain of commerce, it submits itself to the same laws that govern individuals. Thus, if it becomes the holder of a bill of exchange it must use the same diligence to charge the drawers and indorsers that is required of individuals, and if it fails in this its claim upon the parties is lost." England National Bank *v.* United States, 282 Fed. 121.

That Burglars Opened Safes Which Offered More Protection Than Safety Deposit Vault, Held No Defense for Leaving Vault Door Unlocked —Washington

The cashier of a bank failed to lock the outside door of a safety deposit vault, and the contents of the vault were stolen by burglars who also blew open the safe door and stole the contents which consisted of Liberty Bonds and War Savings Certificates belonging to customers, and certain notes and securities belonging to the bank. The entrance to the vault consisted of two thin steel doors, the outer one being thicker and stronger than the inner one. The safe was of medium size, having a thick fire-proof door. The inside consisted of pigeonholes and a so-called burglarproof steel chest fastened with a combination lock. This chest was untouched, the valuables having been placed in the pigeonholes.

The court held that the bank was responsible for the loss of the contents of the vault, but excused them from liability for loss of the valuables placed in the safe.

On the appeal the bank contended that, because the burglars opened the safe door, which was more difficult to open than the vault door, it was not negligent in leaving the vault door unlocked.

Judgment was affirmed, the court holding that the liability of the bank depended on whether the act of leaving the vault door unlocked constituted want of due care, such as a prudent man would take, under similar circumstances, of his own property, that caused or contributed to the burglary. Harland *v.* Pe Ell State Bk., 210 Pac. 681.

Arrest for Execution of Check Without Funds Held Not Without Probable Cause—Arkansas

The plaintiff, a woman, brought an action against the defendant for malicious prosecution for having been arrested without probable cause for execution of a check without funds. The facts showed that on June 19th, she had deposited for collection at her bank a check for $600, received from her father. On June 21 she drew her check for $590 against her account and received in return diamonds deposited with her creditor. On June 24 the cashier of her bank told her that the father's check was returned "Insufficient funds" and that the check for the

> ARREST of woman for execution of worthless check held not without probable cause even though she may have not been guilty of the charge.

diamonds could not be paid when presented although he would wait 24 hours. She did not make the arrangements to take care of the check and when the same was not paid she was arrested and placed in jail.

The court held that, even though the woman may not have been guilty of drawing a worthless check as charged (which was not decided here) her own conduct afforded the defendant "honest and strong suspicion" that she was guilty and the arrest was not without probable cause. Frauenthal *v.* Williams, 244 S. W. (Ark.) 737.

Married Woman, Acquiring Bank Stock, Subject to Statutory Double Liability—Florida

Mrs. Annie B. Bryan, a married woman, owned 40 shares of stock, of the par value of $100 each, in a state bank of Florida. Upon the insolvency of the bank and the appointment of a receiver, an assessment was made against all the stockholders of the bank and demand was made by the receiver upon Mrs. Bryan for the amount of $4,000. Mrs. Bryan contended that she was not liable because she was a married woman and that no judgment in personam could lawfully be entered against her. The argument presented in her behalf was based upon the doctrine that, as a married woman has no contractual capacity in Florida, her contracts are void and no personal judgment may be entered against her for breach thereof. The court, however, allowed judgment against her, the same to be satisfied out of her separate estate, stating, "The acquisition of such property may not be by contract of purchase; it may be acquired by gift or bequest or inheritance; but, however acquired, the statutory liability rests upon the owner when the stock becomes his or her property, legally and without fraud. . . . It is competent for the legislature to depart from the rules and analogies of the common law, and to make married women liable for debts to creditors as other stockholders are made liable." Bryan *et al v.* Bullock, 93 So. 182.

Documents Describing Sugar as "Granulated White Sugar, etc.," Did Not Comply With Letter of Credit Authorizing Draft for "Standard White Granulated Sugar."—Washington

John Sexton & Co., of Chicago, were desirous of purchasing sugar to be shipped from Hongkong, and could obtain it only by establishing a firm and irrevocable credit, which would be available to the importer in financing the purchase and shipment of the sugar. Sexton & Co. therefore went to its Chicago bank and by a deposit of money, or the pledging of its credit, procured the Chicago bank to issue the letter of credit here involved, upon the terms dictated by Sexton & Co. The Chicago bank presumably knew little or nothing about sugar, or about its customer's needs and desires beyond what it was then told, and was concerned only with carrying out its customer's wishes paying for only such sugar as the customer desired to purchase, and doing only what the customer wished to be done, to the end that when the transaction should be completed it would have paid for exactly what it was instructed to pay for, and the customer would be bound, without question, to reimburse it for its advances, plus its charges for his service. In this letter which was sent to the importer to be used in financing his operations, the terms and conditions were explicitly stated.

The letter of credit provided that the bank would pay $72,850 U. S. gold for account of John Sexton & Co., for invoice cost of 155 tons of standard white granulated sugar. Upon the arrival of the sugar it was discovered that the documents from Hongkong carried the following: "Granulated white sugar, Java No. 24, direct polarization, 98.5."

Payment of drafts drawn on the letter of credit was accordingly refused for the reason that the attached documents did not conform to the terms of the letter of credit.

An action was brought to recover payment of the drafts drawn upon the letter of credit. The court held that the documents did not conform to the letter of credit and the bank was in duty bound to refuse payment. The court said: "Bankers are not dealers in sugar in such a case as this, but are dealers in documents only, and whatever contract was made by the banks must be determined from the letter of credit itself. Here, as is the custom in such cases, the banker was presented with documents passed over his counter, and asked to pay a large sum of money in exchange for them. His duty was not to go out and determine by personal examination of the shipment, or by the employment of experts, whether the goods actually conformed to the contract between the buyer and seller, nor even to determine, either from his own knowledge or by expert advice, whether the documents called for goods which the buyer would be bound to accept. The banker knows only the letter of credit, which is his only authority to act, and the documents which are presented under it. If these documents conform to the terms of the letter of credit he is bound to pay."

National City Bank *v.* Seattle Nat. Bank, 209 Pac. 705.

The losses by fire in the United States and Canada during the month of January were $36,614,850. The losses during the corresponding month of 1922 were $38,663,000.

TRUST COMPANY DIVISION

Fourth Mid-Winter Conference

Dealing With Beneficiaries

DURING the Fourth Mid-Winter Conference of the Trust Companies of the United States, held at the Waldorf-Astoria Hotel of New York, February 15, eleven general subjects were discussed:

Interesting Problems in Dealing with Beneficiaries under Trusts.
Life Insurance Trusts.
Safeguarding and Receipt and Delivery of Securities.
Business Building.
Cost Accounting, or the Relationship between Overhead and Compensation.
The Purchase, Sale and Exchange of Trust Investments.
Estate Tax Problems.
Current Legislation.
Managing Businesses for Trusts.
Trust Accounting.
Code of Ethics for Trust Companies.

Evans Woollen, president of the Fletcher Savings and Trust Company, Indianapolis, presided at the conference. The discussion of the first subject, "Interesting Problems in Dealing with Beneficiaries under Trusts," was opened by C. Walter Borton, Provident Trust Company of Philadelphia, who said that at the beginning of his duties as head of the trust department he had insisted on signing all important letters going out and had refused to sign letters which were not clear. He found the practice to be satisfactory, one trust coming to his company because, "they wrote letters of one syllable which she could understand." Mr. Borton said that one of the most important things is in the beginning which the company makes with its clients. "If you get an understanding in the beginning then the battle is won."

Jonathan M. Steere of the Girard Trust Company of Philadelphia, Charles R. Dunn of the Union Trust Company of Detroit, and Thomas C. Hennings of the Mercantile Trust Company of St. Louis, participated in the discussion. Mr. Hennings said in closing:

"I feel, after a testator names your trust company to act as trustee under his will, it is his will that you shall continue unless the circumstances are such that it is almost impossible, and the trust company ought not resign. It is an easy way out of a difficulty, of course, but I do not believe that a trustee ought to resign."

Life Insurance Trusts

Charles H. Moore of the Union Trust Company of Rochester, opened the discussion on life insurance trusts. He said:

"Prior to the development of life insurance trusts, the insured found himself in a position somewhat similar to that which is known to bankers as the Christmas Club saver. Now you know what the Christmas Club saver does. He ardently saves, little by little, to provide a fund that usually is indulgently spent. Is not he who saves to wisely invest, rather than he who saves to indulgently spend the one who finally marks up a record of financial achievement?

Where Work Begins

"The work of the Trust Company commences where the work of the insurance company concludes. Hence the service of one, does not compete, but rather supplements that of the other. A man may, by life insurance, provide at his death, money. But link his life insurance with a suitable trust agreement, and he provides still more—money, plus money management.

"For many years I have been an advocate of constructive, as well as of administrative service, in trust work. I believe we owe a duty to our patrons, and the public as well, to help them *create* estates as well as to help them conserve what they have, or finally distribute what they may leave. And one of the most feasible methods is via the life insurance route. Show a man how he readily can double his estate, then help him do it, and it's a safe wager he'll collaborate with you most willingly as a settler of life insurance trust agreements and as the testator of a will in which your bank is named executor and trustee.

"There is one interesting feature in regard to these life insurance trusts which I might call your attention to. We recently had a customer who wished to provide annual income for his wife of $10,000 a year, and a certain amount to each of his children, that aggregated about sixteen thousand a year. He went to the agent of one of the large companies here who is a very able man, and who worked out a most ingenious plan for him. He was able to take out a certain number of policies, on the twenty payment life insurance plans that the insurance companies have, with a certain amount of annuity insurance that would go on from the expiration of the twenty year periods, to insure to this man's wife and his children, the income he wanted. It was $429,000 of life insurance.

"This man was so delighted with the plan that had been worked out by the life insurance man that he brought it to me. He said, 'Now, a trust can't beat that. Here the life insurance companies do everything you can.'

"I said, 'There is only one difference between the insurance company and the trust company—that at the end of your wife's life and each one of your children, your $429,000 is gone. If you give it to us, at the end of your wife's life and each of your children, you would have your estate intact.'"

James B. Blackburn of the Pittsburgh Trust Company, Pittsburgh, said that his company recently had solved an unusual trust problem. A large corporation desired to insure some of the higher salaried officers, but wanted to arrange matters so that the benefits of the policy would not continue if an officer left the company. The problem was solved by an insurance trust, under which the proceeds of the policy are paid to the trustee in a general fund. If any man leaves the company he is still insured and the company is the beneficiary. "Another thing I have found," he said, "is that combining an insurance trust with a voluntary trust, any man who is insurable and puts one dollar aside has created from that month on an estate of three dollars."

Returns Compared

Leslie G. McDouall, Fidelity Union Trust Co., Newark, N. J., said: "I have been rather interested during the last few months in attempting to work out the advantages of a life insurance trust as against what the life insurance companies can offer.

"We will assume," he said, "you can earn an average return of five per cent. Spreading that five per cent. over a period of twenty years, after deducting your commission, both from the income and from the corpus of the fund at its termination, assuming that your commission is based on two and one-half per cent. on the income and one and a quarter per cent. on the principal, in comparison the life insurance company would pay a total sum of $190,000, (assuming the face of the contract was $100,000,) while in twenty years, under a life insurance trust with a trust company, you could pay approximately $196,-250.

"There is another form of contract we take into consideration—the companies with a non-participating policy. I had occasion recently to study a policy where the company agreed to make a payment of $500 a month over a period of 240 payments, or twenty years, so that during the life of that policy they would have paid out the total sum of $120,000. I have computed, that under a life insurance trust, upon the death of the assured, if the policy during its lifetime had been made payable to the company as trustee, and the trustee had agreed, or rather, had accepted the computed value or withdrawal value on the death of the assured, they would draw

the sum of $86,000; and $86,000, increased with an average earning, over twenty years, of five per cent. would net to the beneficiaries $173,000 as compared with $120,000 which the life insurance company would pay under their contract."

John C. Mechem, First Trust & Savings Bank, Chicago, told of methods to guard against possible clerical errors resulting in the failure to pay premiums on life insurance policies. Insurance companies in Chicago have suggested two or three methods, one by which the insurance company agrees to draw a draft a certain number of days after the premium was due, upon some senior officer at the bank.

Mr. Holden of the Union Trust Company, Chicago, said that the whole policy of the Union Trust Company is cooperation with the insurance agent.

Besides the foregoing, H. F. Drollinger of the Fidelity Trust Company of Buffalo, Nelson Petty of the Trenton Trust Company, Trenton, Edgar A. Jones of the Lackawanna Trust Company, of Scranton, and Rowland Cocks of the Guaranty Trust Company of New York, contributed to the discussion.

Receipt and Delivery of Securities

John N. Stalker, of the Union Trust Company of Detroit, opened the discussion on "Safeguarding the Receipts and Delivery of Securities," and explained in detail the system used in his institution. William G. Littleton of the Fidelity Trust Company of Philadelphia, outlined the plan for safeguarding the receipt and delivery of securities in his company and read a memorandum on the subject written by Edgar E. Daniell, auditor of the Fidelity Trust Company, dealing with the same system.

Jonathan M. Steere of the Girard Trust Company of Philadelphia, told the conferees that in his company, after the securities had passed through all the various stages, when it comes to actually handing them over to the distributee of an estate, "we have a special book containing a carbon leaf in which securities are entered and these securities are only delivered in the presence of the actual distributee, an officer of the company, and one clerk."

Samuel M. Hann of the Fidelity Trust Company of Baltimore, described the system of his company and said, "We can balance our securities in three-quarters of an hour and it will come out to a penny, nine times out of ten."

Personnel

S. C. Stallwood of the Northern Trust Company of Chicago discussed the management of personnel. "Broadcasting advertising through the printed word," he said, "will not help us much unless we have the spoken word to back us up inside our organization. The friendly attitude toward customers is far more necessary in a bank than in a merchandizing establishment." In his institution there is a school in the bank for boys up to sixteen years of age, a course of training for the young men from the universities, and senior group-meetings from five to eight o'clock every two weeks.

E. B. Wilson of the American Association of Advertising Agencies, addressed the conference on the subject of advertising and advertising ethics.

Positives and Negatives

Louis A. Bowman of the American Trust and Safe Deposit Company of Chicago, presented six positives and six negatives in trust development, as follows:

First, do not give the impression that the company is actively soliciting the business, but rather that it is courteously and helpfully offering its services.

Second, do not manifest any undue anxiety to hurry the completion of the proposed trust arrangements.

Third, do not antagonize existing personal preferences of the prospective customer.

Fourth, do not decline desirable business merely because it may not be of large proportions.

Fifth, do not criticize or underestimate the service of any other trust company.

Sixth, do not allow the prospective customer to gain an impression, howsoever slight, that the trust company is not deeply interested in him and his plans.

Here are the six positive points:

First, be prepared to give accurately and concisely information regarding his company's service, its advantages, changes, principles and policies.

Second, be prepared to answer even in minute detail, all questions arising regarding the entire scope of trust service.

Third, be alert to quickly analyze the customer's particular need and to suggest the ways in which the company can be of the greatest usefulness in meeting that need, both now and in the future.

Fourth, be prepared to co-operate intelligently and tactfully with members of the bar, and especially with the customer's counsel.

Fifth, be equipped to impress the customer with the high character of the management of the company, its skill, ability, integrity, soundness in judgment, knowledge of financial problems and of investments, and its disposition to safeguard and conserve its customers' interests.

Sixth, be able to impress the prospect with the desirability of reasonably prompt action in completing the trust arrangements under consideration.

Advertising Campaign

Francis H. Sisson of the Guaranty Trust Company of New York, speaking of the Trust Company's Divisions advertising campaign said:

"The committee in charge of Publicity has greatly appreciated the support it has had, and would still even more appreciate the support it might get. You know, some wise philosopher has said that appreciation is a lively anticipation of favors yet to come, and so far as the Committee is concerned, we hope that that appreciation may still thrive and be warranted. We believe we have done a worth while thing and we hope to have the support that will enable us to continue it, because continuity of advertising, continuity of selling effort, is what success depends upon; and only by the eternal insistence and eternal persistence of that sort of effort are we going to be able to get our message across and have it become a part of the accepted psychology of the American people when they come to consider the great questions of fiduciary service. We believe we have a message to give that is worth giving and the more broadly we can give it through broad mediums, the more we will prosper and the better the American people will be served in a vital and essential particular."

R. Keisler, Jr. of the Ironbound Trust Company of Newark, Allard Smith of the Union Trust Company of Cleveland, and H. F. Drollinger of Buffalo, discussed the value of the radio in business building.

Window Displays

A. C. Rogers, Advertising Manager of the Guardian Savings and Trust Co. of Cleveland, exhibited a number of window display-charts which had been used with good effect in his bank. In connection with one on family budgets, 5,000 copies of the leaflet have been asked for. "I don't believe," said Mr. Rogers, "there is any great selling force in these charts, although we try to couple selling messages with them. The window display is a factor in publicity; it brings the institution to the favorable notice of the public, and it convinces a good many people that the bank is really trying to be a serviceable institution."

F. D. Connor of the Illinois Trust and Savings Bank of Chicago, read the testimony of five financial houses which have found window displays profitable.

Cost Accounting

"No trust," said Ralph Stone, president of the Detroit Trust Company, in opening the discussion on "Cost Accounting," "requires precisely the same amount or value of service as another, and therefore a practical and workable cost accounting system cannot be devised. It would be possible, of course, to keep a record of each minute of time spent by officers and employees upon each trust and to have a measure of the cost thereof. This would be a fairly accurate unit which could be used as the basis of a cost accounting system. It only needs to be stated, however, to show how impracticable it is. Even if such a unit could be established, its value would be so variable that there would be a positive danger in using it or in relying upon it to fix costs or as a basis for compensation. My investigation has shown that whenever a study and an effort has been made by trust companies to ascertain and put together a cost system of this kind, it has failed and the effort has been abandoned. It is possible, however, to establish a cost system by departments. It might more properly be designated a departmental net earnings system. Many trust companies do this, some in a general way and others in considerable detail.

"I can say from experience that it requires only a reasonable amount of time of the Auditing Department to keep the records necessary to produce a departmental net earnings statement, such as that described in the outline distributed among you.

"It is only recently that there has been a growing feeling on the part of trust company officers that charges for services in the various trust capacities are

inadequate. Departmental costs and net earnings statements, where they have been kept, prove this conclusively. In the larger companies, in which it has been possible to departmentalize to a greater extent than in the smaller companies, there is necessarily more definite conviction as to this. Formerly we had a feeling that this was true—now we can be certain of the fact—and in fairness to ourselves and to our stockholders, efforts should be made to put this service upon a paying basis. It is certainly true that fair compensation is all that we have a right to ask, and it is reasonable to infer that our clients would willingly pay it."

In the discussion which followed Lucius Teter of the Chicago Trust Company, Mr. Holden of Chicago; Mr. Hann of Baltimore; Ralph Stone of Detroit; P. E. Godridge of the Bankers Trust Company, New York and Mr. Curtz of the New York Trust Company, participated.

Trust Investments

In opening the discussion on "Trust Investments" Mr. Callaway, of the Guaranty Trust Company of New York, said:

"When an estate comes in, either by the way of a trust or the way of an executorship, have an estate card made out, showing the complete investments or if it is a voluntary trust or a trust in any other form, the market values of that particular day, of the securities that come in to you. That estate card is then passed in to your investment department, although the man that makes out the card may be also the only man in the investment department. But the principle is exactly the same.

"When the estate sheet is thus set out, it is turned in to the trust officer, the investment officer, and there should be at once made out another card for the system which shows separately each of your securities by name and by corporation. Those cards are then set apart, or that record is then set apart, with that group of securities to which that particular security belongs, to that particular railroad, or any particular subject—copper, sugar, or whatever it might be—so that you have running currently, all the time, in front of you, a statement showing all of the securities belonging to one estate or one trust; and on the other hand, all of those securities analyzed into the particular groups to which they may belong. The trust officer then has these securities analyzed by his analytical department, to determine first whether the securities may properly be held under the terms of the particular trust.

"The fact as to whether they may be held or not are set out in this estate card which is held entirely separate from the other records of your personal trust department. Then if there are securities that are to be sold or that can not be held, or that require the discretion or the judgment of your institution as to whether they should be sold a list should be made up in the form of a separate report.

To Directors' Committee

"That report then goes to a committee of your directors. If you have no committee of your directors appointed specifically for the duty of once a week, or oftener, going over all of these recommendations of your trust department, you should establish it as soon as possible. It is one way of discharging that great legal liability that rests upon you; because when those directors have passed upon the question as to whether a security should be sold or held, you have established in written form evidence that there has been exercised the discretion of your institution.

"These recommendations are made up in written form in your trust department, through your investment section, passed upon in consultation with this committee, and minutes kept of them.

"My experience, again, referring to personal experience, in trying cases of this sort, has been that there has been difficulty in showing affirmatively that the trust company has exercised its proper discretion and has some record of it. So therefore, not only do you get the expert knowledge and opinion of your directors, but you get a written record in the minutes of that committee. And in the institution to which I belong, that report is passed upon by the executive committee or the board of directors as a whole. They either approve or disapprove the action that has been taken in the trust department and by the Committee of Directors as to those particular securities, and when that is done you have the united voice of the whole institution as to whether or not what has been done has been proper and in the exercise of the best judgment of the institution.

"Now, having done this preliminary work, your estate card should be set forward for periodic review. If it is not an estate in which there are troublesome questions, it may be entirely sufficient, to satisfy legal requirements, to have that estate come up for thorough analysis and review twice a year. In that case you would set it forward for six months. If it is more troublesome, set it forward say for three months. That is, the estate as a whole. But you will find, having allocated into the separate subjects or groups the more troublesome securities, that you hold in that estate, that those subjects will come up for frequent review. In a particular trust you might have as an illustration Interborough securities, or St. Paul securities, where you will desire to watch the development of the situation, or where your committee may feel that the conditions are such that in justice to the estate you should not at the time dispose of certain securities, you may want that particular line of securities reviewed every two weeks, or once a week.

"Now if you have a considerable trust business, you will find it profitable to have each trust assigned to a particular man in your division—not the men in the personal trust division looking after the current work, but some man or men in your analytical department or in your investment department—accounts that you find from experience they are capable of handling in a given length of time.

"To that man is reported the called bonds and rights declared for stockholders. Because, bear in mind, if you fail to collect those bonds when they are called, you lose that interest. If you fail to exercise those rights which accrue to stock you hold in trust, should you happen to overlook it, and it is too late you are liable. There should be reported constantly, daily to the particular clerk or man who has that account in charge, matters that affect the particular securities in his charge. That of course, would include receiverships, reorganizations, and anything of interest that applies to your particular securities.

"That information immediately, as you see, flows into the investment trust officer. He may, in consultation with the vice-president or his president, not wait for the weekly action of the directors. It may be necessary to act at once. It gives them the opportunity of doing that. They may wish to sell at a moment's notice."

In this discussion A. C. Livingston of the National Newark and Essex Banking Co., Newark, N. J. said that a thing which should be kept in mind at all times is that the duty of a trustee is to keep intact that which the trust fund was started with and it is not the duty of the trustee to increase the fund.

Estate Tax Problems

P. E. Godridge of the Bankers Trust Company of New York, led in the discussion of estate tax problems and was followed by Sherman Peer of the Ithaca Trust Company, Ithaca, N. Y., H. C. Bailey of the United States Trust Company of Hartford, Conn., and Thomas C. Hennings of the Mercantile Trust Company of St. Louis.

Current Legislation

William G. Littleton of the Fidelity Trust Company of Philadelphia, in discussing current legislation, Federal and State, said:

"We have before us today pending in Congress, the proposed Constitutional amendment which will permit the Federal Government to take away from the states one of the last remaining elements of sovereignty; and the cry for the passage of that amendment is the red pottage of taxes, which we are losing; and it looks as if we are going to sell our birthright, that we have received from the fathers, for a mess of pottage! The states will lose their sovereign right to control their own internal affairs."

Managing Business

A. V. Morton of Philadelphia, speaking on the subject of managing business for trusts, said that in no State was a trustee permitted to invest funds of the estate in a business venture, and that he is also under a great responsibility to dispose of such an interest if it comes

into his hands. "It seems to me," he continued, "that if the testator is desirous of continuing such a business, it should always be arranged before his death by consultation with his counsel and the trust company. I think it is proper for the trust company officer to sit on the board of directors of such a company in order that he may help formulate and direct the business policies, but I happen to know of one case in Philadelphia, where an enthusiastic bank official, acting in such a capacity, and through his enthusiasm, persuaded his company to lend money to the business, and also to lend it to large stockholders on their stock interest. It is hardly necessary to say that all those loans were absolutely written off"

E. J. Fox of Easton, Pa., and Jonathan Steere of Philadelphia, also participated in this discussion.

Trust Accounting

J. J. Graeber of the Equitable Trust Company of New York, in opening the discussion on trust accounting, read a short paper in explanation of a satisfactory accounting system. J. A. Wherrett of the Continental Trust Company of Baltimore, W. S. Miller of the Northern Trust Company of Chicago, followed in the discussion of this subject.

Code of Ethics

John W. Chalfant of Pittsburgh, speaking on the subject, "A code of Ethics for Trust Companies" told of the experience of the Pennsylvania Bankers Association in arriving at a harmonious understanding with the members of the Bar through the adoption of the following code of ethics which was approved by the State Bar Association:

A bank or trust company should not draft or prepare for another a deed of trust or mortgage to secure issue of bonds.

A bank or trust company should not draft or prepare for another wills, agreements of sale, deeds or contracts or any papers or documents for use in court proceedings, except when reasonable inquiry discloses that such party so requesting the same does not have an attorney, or except such drafting or preparation be at the request of and for approval by the attorney of such requesting party, or interested estate.

A bank or trust company should not in any manner advertise that it will, without the services of an attorney, prepare or draw any of the above mentioned documents or papers or otherwise represent an estate.

A bank or trust company should not appear in person or of record in any court in any proceedings without representation by counsel.

A bank or trust company should not favor its regular counsel in the matter of the employment of attorneys for interests or estates employing such bank or trust company, to the exclusion of counsel previously consulted or employed or unduly favor its regular counsel in the matter of advising others in the employment of counsel.

A bank or trust company should never advise a customer to leave counsel already retained or dissuade a client from employing counsel already decided upon, unless the bank or trust company has valid reasons for believing that the particular attorney is not competent, skillfully or honestly, to execute the particular matter, but a bank or trust company may and should assist and advise its customers and persons for whom it acts in the matter of selecting counsel in cases where no counsel has already been retained.

The Banquet

There were three speakers at the annual banquet which was held in the Grand Ball Room in the evening—Theodore G. Smith, vice-president of the Central Union Trust Company of New York City; Isaac F. Marcosson of the *Saturday Evening Post* and Owen J. Roberts of the Philadelphia Bar. Mr. Smith who presided as toastmaster read the following telegram from President Warren G. Harding:

"It will please me greatly if you will communicate to the members of the Trust Company Division at the Banquet tonight my warm assurance of interest and concern for the welfare of the great branch of finance which will there be represented. It has seemed to me that the expansion of these fiduciary relations which are characteristically conducted through the trust companies is quite representative of the highest ideals of fidelity, character and sound management in business affairs."

Mr. Roberts' Address

The addresses of Messers. Smith and Marcosson will be found elsewhere in this Journal. Mr. Roberts speaking on "The Old and New in Government" said:

"I cannot emphasize too much nor can it be too often repeated that there has come over our Government and its functions a great change in your lifetime and mine.

"Our Government, of course, is an evolution. Its principles are inherited from men of Anglo-Saxon blood who fought and died for those principles. They got from the fatherland a distrust of government because that phrase in their ken meant something like oppression and unfairness and improper treatment of the common man."

"When they came to frame the principles of our government, they put into the constitution certain great personal guarantees. They had won by hard fighting the right of religious liberty, the right of a man to own his own soul, and they battled and bled for civil liberty, the right of a man to go and come as he pleased unhampered and unhindered and to get and to keep personal property called his own.

"Their view was that that government which governed least was the best government, and under that doctrine our legislators had mighty little to do in the first half century of our history except to protect the agggregate mass from oppression and to protect the individual in his individual rights. The theory was the protection of the minority even if that minority numbered only one individual.

"But about the middle of the last century a change came over things almost imperceptibly. Legislatures were appealed to constantly to extend their activities, and to interfere in the private affairs and business concerns of men. It is a curious thing how stealthily that came over the country and it is a curious thing how the citizen of the United States who was so much in fear of governmental depression, suddenly turned to the legislature and cried for regulation, for law, to cover everything imaginable and particularly the attack was upon business.

"We have about reached the limit which the frame of government we have will bear. Our government was never intended to develop economic situations and is not fitted for it. It is intended to defend the personal liberties of the citizen and that takes no complicated machine.

"In my judgment we are drifting to state socialism. We have had the examples before us and horrible examples they were, and they do not seem to have done us much good.

"Have you noticed—that in the Senate of the United States a select committee is inquiring into the costs and expenditures in the operation of the so-called national industries? Do you know that it is mere propaganda towards a movement to nationalize all the so-called national industries—coal, oil and the rest of them, heaven knows how many?

"Did you notice in the papers a list given out by this same Senate Committee of the tremendous salaries, hundreds of thousands of dollars, paid to the great executives in the oil industries? Did you realize that that was propaganda and intended for the thoughtless reader? Food for him to consume and to assume therefrom that he was paying more for his gasoline than he ought?

"I have not the pleasure of knowing the gentlemen whose salaries were published, but I will guarantee that they earn every cent they get. Their business is to increase production and decrease cost, and when any of them fails to reduce the price to the consumer, he will leave his job and somebody who can do it better will get it.

"Are we prepared to revise our ideas of government? Are we prepared to go into a frank state socialism in this country with all that it means in the suppression of ambition, in the deterrent of industry, in the holding back of men who want to arrange their affairs for their good and if for their good and the economic good, then for the good of us all—are we to go to state socialism or are men who form the public opinion of this country, prepared to get out, take off their coats and work for old-fashioned Anglo-Saxon individualism where a man does not have to figure how, first of all, he can do a perfectly honorable business thing without first calculating what all the prohibitory statutes say, and does not secondly, have such taxes levied upon him as that he can not determine whether to go into a business proposition for fear of the resulting tax liability?"

Investigation of Federal Reserve

At the close of the Sixty-Seventh Congress the following were appointed members from the House to be members of the Joint Committee authorized to inquire into the present limited membership to state banks and trust companies in the Federal Reserve system:

Louis T. McFadden of Pennsylvania; Porter H. Dale of Vermont; James G. Strong of Kansas; Otis Wingo of Arkansas; Henry B. Steagall of Alabama.

The three from the Senate provided for in the law are Senators McLean of Connecticut; Weller of Maryland and Glass of Virginia.

SAVINGS BANK DIVISION

School Savings Participation Not 100 Per Cent

WE recently asked the managers of school savings systems: What reasons are given for non-participation by pupils? How can these reasons be overcome? In other words how can 100 per cent. of pupil enrollment voluntarily become systematic savers, depositing weekly and maintaining balances according to their abilities?

The replies indicate the general opinion that it is practically impossible to obtain 100 per cent. enrollment.

A large number of pupils have accounts in other banks and cannot afford to deposit in the school savings banks; business conditions are unsatisfactory in many of the cities and towns making it impossible for parents to allow their children to save; many parents lack confidence due to the fact that the system is not thoroughly understood. This is especially true in districts where foreigners reside in large numbers.

In a large city it is natural that not all children are permitted to save in the one bank designated as the school depository. Parents have a right to choose their bank and for this reason the actual number of children saving is frequently greater than the figure given on the report.

Indifference on the part of parents, teachers and school boards is often given as the reason for non-participation and lack of interest in the movement as a whole.

If all persons concerned could be brought to understand and teach the children that they are not merely saving but are making money by depositing regularly and becoming the possessors of interest-bearing bank accounts, a larger number would undoubtedly participate. Two-thirds of the students do not understand this phase of the system. We believe that our objective in looking for 100 per cent. participation can be obtained, in some instances at least, by a thorough understanding of the system.

It is necessary, of course, to find means of keeping up the interest after the boom at the time of installation has passed. This has been accomplished in various ways: interscholastic competition, contests, school publications, posters, weekly reports from the principals as to the standings of rooms, etc. But for the most part 100 per cent. is considered Utopian and in a few cases we note that no attempt is being made in this direction.

Here are a few of the statements to us: "We discourage competition to save humiliating any one. Our once a week banking hour set aside in each room where pupils may deposit if they wish is all we encourage."

Another says: "It cannot be done and should not be tried as it antagonizes parents, many of whom have methods of their own for teaching thrift to children. Also many parents will not co-operate. I have known of children who stole to make deposits because they were urged too hard and did not get any help at home."

Naturally, the foregoing are problems that must be worked out by the individual locality and this division is always ready to help in any way possible whenever the problems are presented to us.

Occasionally an antagonistic point of view is assumed as in the following instance: "It cannot be reasonably expected that all children will deposit. No one acquainted with conditions as they exist in this city would think of such a thing. I am not in favor of putting money in the bank and starving to death." Nor are we in favor of that. But we do not consider the buying of food thriftless spending and since it is our intention to discourage only the thriftless squandering of money for which we as a nation, have been criticised so often, we fail to see the justice of such a remark.

A. B. A. Service

Also we asked: What further assistance do you think should be provided by the American Bankers Association? One said: "They have given us no assistance but have taken considerable of our time in making out reports they have asked for."

At best our task is rather a thankless one, but if an attitude similar to the above should be taken towards us by all with whom we come in contact, we should put aside our plans in discouragement and allow the school children to sink back to "lolly-pop" days prior to the beginning of our work. We record that the cause of complaint with this correspondent was quickly removed and a good spirit of co-operation established by assurance that the division is in fact expecting only such information as he had at hand. Such are misunderstandings!

In direct contrast to the opinion just quoted we receive many assurances of willingness to co-operate in the efforts of the division to collect data in order that the more successful operators may aid those who have not become well established.

Almost every instance of success has been due to the hearty co-operation on the part of the teachers. We have found that the enthusiastic teacher has the enthusiastic school and this enthusiasm is manifested in superior attainment in school and thrift work.

We do not expect the teacher to handle the clerical part of the school savings bank work. On the contrary we discourage it and have planned and put into practice, methods whereby the teacher is relieved of this responsibility. But we do ask the teachers to encourage thrift in every way possible and we believe it is primarily due to their efforts that we can boast of our present success.

The Need for Teaching

It has been suggested that we assist in the enactment of state laws making compulsory the operation of school savings banking projects.

School Room Bank in Des Moines, Iowa

The laws which exist in several states for the teaching of thrift have had but small utility in extending the actual teaching of thrift and the laws relating to school savings banking are only regulatory, not compulsory. Until some method has been developed which will be accepted by educational boards and bankers as a standard for educational and banking practice, it is not evident how compulsory laws will have the desired effect. An adequate and perhaps feasible substitute is by order of the local boards of education making school savings banking a definite part of the curriculum.

We believe that the best results should come from a system which obtains the greatest amount of co-operation from the teachers with the least amount of work for them . We urge them to encourage thrift whenever an opportunity arises; by having an essay contest in English classes, thrift talks in assembly, yearly prizes (offered by the depository bank) for consistent savers and depositors, and by thrift pleas in connection with classes in civics. Nearly every up-to-date civics text book contains a chapter under the heading of thrift and this may be dwelt upon and expanded by the teacher who is sincerely interested in the work of discouraging thriftless and encouraging thoughtful spending on the part of the students.

To go back to our question as to what further assistance should be provided by the American Bankers Association, we have received numerous suggestions which we shall adopt when possible.

We have been asked to furnish literature which will educate the parents as well as the children in the advisability of thrift. In many cases the parents are not "sold" to the idea. We have also been urged to draw up a book of forms and best systems with suggestions both for installing and encouraging the opening of accounts.

It has been advised that teachers be communicated with directly and that the local bank depository should engage a competent speaker to visit the schools at least once a year to consult with the teachers and give thrift talks to the students in an attempt to further the movement. In some places this can be connected with the work of the Public Education Committee of the bankers' associations.

Banks might well furnish illustrated leaflets and pamphlets in girl and boy language to the end that the individual child must be made responsible for his or her financial well-being. Several banks issue monthly or quarterly magazines for pupils to take home.

One bank supplies a weekly thrift talk for the teacher to use on the weekly bank day. They are called "sermonettes."

We have been asked to suggest topics for these talks and to supply advertising that will make the children become systematic savers, depositing weekly and maintaining balances according to ability.

In other words, an individual bank problem can be illuminated by information about "the other fellow's" method and we are asked to furnish data and statistics regarding the various methods which have been put into practice. We shall be glad to do this to the best of our ability.

Savings bank systems are being installed in new localities with wonderful success from the point of the number of accounts opened and the advertising that the banks have received from same. It is not to be expected, of course, that these systems will pay for themselves at once, but in time they will become self sustaining and eventually yield profits if handled in a competent manner. They are projects of advantage; not only to bankers in view of the advertising results and to parents to have children save the pennies they would otherwise spend to no end, but to the nation as a whole in the attempt to inculcate the quality of thrift as a national quality so that we may be characterized as a nation of savers and thoughtful spenders rather than a nation of spenders and careless squanderers.

Monthly Tendency in Savings Deposits

An increase in savings deposits of .8 per cent. during the month preceding January 1, 1923 and of 7.9 per cent. during the preceding year is indicated by 887 banks which hold about one-third of the savings deposits of the country, according to tabulation of the Federal Reserve Board:

Federal District	No. of banks reporting	Feb. 1, 1923 Millions	Jan. 1, 1923 Millions	Per cent. Increase over last Month	Savings Deposits Feb. 1, 1922 Millions	Per cent. Increase over last Year
1	64	$1,150	$1,130	1.7	$1,078	6.2
2	30	1,805	1,807	—.1	1,698	5.9
3	80	442	436	1.3	425	3.7
4	18	411	407	.9	375	8.7
5	93	284	278	2.1	254	10.5
6	82	177	176	.5	157	11.2
7	219	833	829	.4	768	7.8
8	35	125	124	.8	109	12.8
9	15	86	83	3.4	77	12.5
10	58	93	93	.00	80	13.9
11	118	82	80	2.4	72	12.1
12	75	864	851	1.5	750	13.1
Total	887	$6,357	$6,300	.8	$5,849	7.9

Values in School Banking

The attitude of one banker toward school savings banking is expressed as follows: "There is considerable work involved but we feel that by the end of the year the amount on deposit will be sufficiently large to pay for part of this burden and the balance will have to be charged up against advertising. There is no doubt in our mind but what the work will produce results in the minds of our school children that will be of lasting nature. Should we continue this system year after year, it will mean that a child that enters a school now, will be taught the thrift habit during his entire attendance at school. Each week every teacher in the schools gives a short talk upon thrift, and this is bound to do some good."

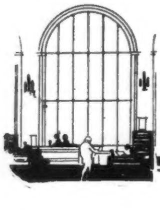
A teacher writes: "I am anxious to secure any papers or blanks from your Association as this banking project has been the most interesting one that I have ever tackled and I want to get everything out of it that I can."

Hundreds and even thousands of such teachers and principals will be interested in our forthcoming volume explaining the passbook method approved by this Division.

"The installation of the school savings bank system in the public schools of Seattle is one of the most powerful agencies for the future success of the community that has ever been established in this city," writes Mr. Raymond R. Frazier of the Washington Mutual Savings Bank and, last year, President of the Savings Bank Division of the American Bankers Association. "When we once get the children in the habit of saving their pennies, nickels and dimes regularly we have solved the problem of thriftlessness in the United States and within two generations the American people will not be pointing the finger of scorn at our own country as the most thriftless nation in the world.

"The most important feature of the system is that it teaches the child the regular habit of thrift at a time when he is most easily molded. His own pride in coming to the teacher's desk with his savings, even though they amount to a few cents, and presenting his pass book just as his father does at the bank downtown, will create a lasting impression on his mind that will stay with him all through life.

"The next step will be the acquisition of property and a nation of property holders is a nation free from the dangers of Bolshevism and every other form of internal disruption."



NATIONAL BANK DIVISION

National Banks' Resources

THE end of the year 1922 found National banks forging ahead and approaching the highest totals ever recorded. Their resources amounted to $22,000,000,000 an increase of $2,000,000,000 in the year. This condition was shown to be general, for in only two states, South Dakota and New Mexico, were reductions in resources reported in the last statements made.

Loans and Discounts

The loans and discounts also show an increase for the year. The total was $11,599,000,000 which was approximately $100,000,000 more than twelve months previously. Figures for the entire year, however, do not portray all of the facts. As the year grew on there appeared unmistakable evidence of the returning tide of business. The last quarter of the year showed the loans and discounts to exceed those of the third quarter by more than $350,000,000. While these borrowings indicate the rehabilitation and expansion of business the loans were not excessive, for in spite of the increased amounts the percentage of loans and discounts to deposits was only 66.5 per cent. or 11 per cent. less than at the close of the preceding year.

The volume of deposits is indicative of the favor with which national banks are viewed by the public and shows clearly that there is no lack of confidence such as might give force to the various proposals presented for radical changes in our depositary banking system. The total sum of deposits in national banks was $17,420,000,000, or one quarter of a billion dollars greater than one year before.

Savings Deposits

The savings departments of national banks have come to be important adjuncts to those institutions, to the commercial banking public and to the saving public as well. The total time deposits at the close of the year were $4,318,000,000. At the close of the last fiscal year 5,785 national banks were reported as operating savings departments or carrying savings accounts. The total number of depositors in such departments was 8,875,088 owning savings accounts averaging $345 each.

Capital Stock

The capital at the close of the year was $1,317,000,000 or an increase of $34,000,000 over the corresponding time of the previous year. Surplus and undivided profits amounted to $1,604,500,000 and this represents an increase of seven per cent. The number of national banks increased during the year by 83. However, of those in existence at the beginning of the year 229 effected increase of capital during the twelve months. Stock dividends were responsible partially or wholly for the increases recorded in 73 banks, and the total amount added in this manner was $10,790,000.

Liquidations

The growth of the feeling that national banks should be given the same privileges of operations as are enjoyed by competing banks organized under state charters is emphasized by the number of banks which have withdrawn from the National system. With a capital of $12,615,000 the year witnessed the voluntary liquidation of seventy-eight national banks and the absorption of sixty-one of them by state banks. Only twenty-five banks liquidated and were absorbed by other national banks. Under the law permitting consolidations of national banks forty-two of them consolidated under twenty-one charters.

United States Securities

That the banks are the real instrumentalities of distribution of securities issued by the government from time to time is evidenced by the figures showing that approximately one-fifth of the interest bearing obligations of the United States totalling $4,124,000,000 are held by the banks. National banks hold $2,285,000,000, State banks and trust companies $1,214,000,000, Federal Reserve Banks $556,600,000, and Federal Land Banks $67,000,000.

Int. Revenue Tax Adjustments

Just a word to member banks requesting the Washington office of the Association to give aid in Federal tax matters.

Tax returns are public records, but open to inspection only upon order of the President of the United States and under regulations prescribed by the Secretary of the Treasury and approved by the President. Regulations of the Secretary have been approved by the President and in compliance therewith the Internal Revenue Bureau enforces strictly the law against indiscriminate disclosures to unauthorized and unidentified persons. Delays so frequently encountered will be obviated if member banks in directing that findings of the Bureau be investigated will at the same time send properly executed powers of attorney. Without such documents it is not possible to look through files in any case nor to confer with Bureau officials upon the points of difference. Powers of attorney should run to E. E. Mountjoy, who is Deputy Manager of the Association in charge of the National Bank Division, though the authority should be given to him as an individual. He will then be in a position to proceed immediately to the work of adjustment.

The Washington office is available at all times for the performance of such work and is engaged in it constantly for member banks. The greatest dispatch possible is sought and will be aided in a considerable measure if the proper authorization accompanies the request.

Trust Departments of Nationals

THE experience of National banks in inaugurating trust departments is that the public is not generally informed of the broad fiduciary powers possessed by national banks and of the safeguards thrown about trusts being administered by banks chartered by the national Government and strictly supervised thereby in the interest of the public.

To many good prospects for the trust department the evolution in fiduciary practice which has brought the corporate trustee into being has not been made plain. To many others who have a knowledge of corporations so acting the fact that national banks are so engaged is unknown. That a bank, and particularly one in the name of which the word "Trust" does not appear, should be authorized or in a position to administer an estate or other form of trust would be a revelation to perhaps a greater number of potential clients of trust departments than are now being served by corporate fiduciaries. So it is obvious that those who are engaged in the business now are pioneering, and upon them rests the responsibility of so heralding the possibilities and likewise the results of national bank trust administration that the proper proportion of the vast volume of trust work that is destined to be performed by the corporate fiduciaries in the future will be lodged with the national banks.

The importance of advertising the trust department is manifest. Whether this be done through the daily press, through the distribution of personal letters or pamphlets or booklets, or through personal solicitation, a systematic outline of the policy to be followed is an indispensable prerequisite.

The Bank and Your Investments

Speakers Suggestions By the Committee on Public Education American Bankers Association

OUR Talk on Character showed us that our success in life depends upon the investments we make each day of our talents and time. Our future return will be gain or loss, according to these investments. That is a law of life which controls the investment of our money, just as it controls the investment of our talents. As we make good or bad investments with our money, so will we have future gain or loss.

Every One an Investor

By attending school, you make an investment of your time and effort. If your investment is properly made, you will receive, as your return, a much richer lifetime. The tax-payer, who annually puts millions of dollars into the public school system of America, is making an investment which, he hopes, will bring great returns in educated citizenship. The farmer, who ploughs and fertilizes the ground, who sows the seed and cultivates the growing crops, is also making an investment from which he hopes to reap a dividend at harvest time. Hence, we see that in practical life we reap a future return from whatever good or bad investment we make today, of ourselves, of our talents, of our work, or of our money.

In the business sense, the word investment relates to the use of money in acquiring ownership of property. The laws of our country permit us to enjoy this right. Our ownership may represent entire possession of property, as in the case of buying a home; it may represent partial ownership, as in purchasing stock in a corporation; or it may be conditional ownership, as in the case of buying a mortgage or a bond. In buying mortgages and bonds, we are merely lending our money for a certain period at a certain rate of interest. In a previous talk, we said that, in borrowing money, some form of promise to pay had to be entered into, and that great corporations, railways, and governments often borrowed money by issuing bonds to be sold to people who have money to invest. These bonds are a form of promise to pay, just as is a note. They promise to pay interest during the time of the loan and to pay the principal at maturity.

When we speak of having made an investment in United States Liberty Loan bonds, in mortgages, or in railroad or corporation stocks and bonds, we mean that we have used our money to buy them. They have become our property, they cannot be lawfully taken from us, and we will receive the interest or dividends which they earn as long as we own them, or until they mature. Thus it is plain that all property, such as houses, lands, railroads, factories, public buildings, farm stock, automobiles, furniture, and so forth, have owners who are persons just like ourselves.

Property Owned by Individuals

The ownership of the great corporations of America is vested in individuals—perhaps even your next door neighbors or yourselves—who have invested money in shares of stock or in bonds of these corporations. Many people regard the ownership of the United States Steel Corporation, for example, as differing from the ownership of the workshop just around the corner. Yet the people who have invested their money in shares of stock of the Steel Corporation are entitled to the same rights, under the law, as is the owner of the little workshop. In the corporation, the owners hold certificates of stock as evidence of their investment, whereas the owner of the little workshop holds a deed as title to his land, and the actual merchandise in which he deals as evidence of his investment. Thus, our great railroads and other corporate resources are owned by individuals.

The laws of our country stand for the equal protection of all investors. Because of this protection, it is possible and profitable for us to make good investments. It gives us an incentive to work hard and to invest our money, in order to develop and improve the conditions under which we live. Investments represent past effort, since the person who wishes to purchase them must first work and accumulate funds with which to do so. Every American citizen who is thrifty can store up dollars for investment. He will then be a better citizen, because he will be interested in preserving his investment, whether it be stocks and bonds, the house in which he lives, or other things which administer to his comfort or to that of his family.

The person who carries life insurance, fire insurance, or, in fact, any kind of insurance, has a conditional investment or equity in the large amounts of bonds carried by these insurance companies in order to meet amounts which may become due him, as a policy holder.

Bonds are always secured by mortgages on lands, or on the buildings or other property of the corporation, in the construction of which the money has been used. Eventually, when a bond matures, the money must be repaid to the one who has lent it, that is, to the owner of the bond. Thus, all investors are a part of a great financial machine which, year in and year out, constantly gathers up and puts to work the wealth of our country, for the mutual benefit, prosperity, and well-being of all.

Sometimes the investments of wealthy people are referred to as if they differed from the investments of those who have less to invest. No matter what a man's income is, it can be spent, or hoarded (which seldom occurs), or invested again for the common good only by the person receiving it. The person receiving a large income can eat only three meals a day; he can wear but one suit of clothes and live in but one house at a time. He cannot appropriate his wealth to himself unless he locks it up in a strong box, where it serves neither him nor any one else. The man of wealth never does this, because he knows that after paying his expenses, taxes, and so forth, he can promote the general welfare by sending the surplus of his income back into the channels of trade.

Investing Means Self-Denial

In America, it is possible for any one who is willing to pay the price of self-denial and hard work, to be an investor—to make investments of money. Good investments made in early life, in acquiring ability while at school and in saving such small sums as it may be possible to save, lay the foundation for providing the comforts of later years, when it is harder to earn a livelihood and when poverty often becomes the condition of those who have not practiced thrift in youth. It is only because so many people do not carefully guard their expenses that eighty out of every one hundred die penniless.

Something saved out of the money we have today, for use next month, or next year, or in the years to come, will make our tasks at that time so much easier. One thousand dollars saved and invested at six per cent, last year, increases our income by five dollars each month for every month of this year. Should we save and invest a like amount this year, our income will be increased by more than ten dollars each month for every month next year. Smaller savings, of course, accumulate in like proportion. Thus it is that men prosper through investment, having first learned to save their money. For this reason, as boys and girls, we must learn the value of thrift, of saving now for future rewards, even though,

at first, the amounts are very small. In every field of human endeavor the principle is the same. Our progress is in proportion to the amount we have wisely invested. For the vast majority of people, the very best way to make financial progress, is by means of the savings account, in which small amounts saved above living expenses are deposited. If the boys and girls of America wish to become prosperous, they must become investors. They must start by using the savings account.

Above All, Invest Safely

It is not wise to take for granted that those without experience know how to make safe investments of money. There is only the slightest chance of success, unless the investment is guided by those who know. For this reason, it is essential that the following important suggestions be left with you.

Never Buy Investments Unless You Understand Them

1. Many companies are constantly being organized to promote unsound schemes which you hear referred to as "wild-cat." There are always solicitors ready to relieve people of their savings by the promise of big returns on ill-conceived investments. Attractively-printed statements are set before you showing, on paper, how impossible it is for these companies to lose money. It is usually difficult to verify these statements. The lure of great wealth, always a temptation, is placed before you. In this way, thousands upon thousands of thrifty people are deprived of hard-earned savings every year. Widows and orphans who have inherited money are frequently sought and made the targets of these fake-stock salesmen. Misery and suffering are the usual results. Beware of these scheme promoters; have nothing to do with the suggestions they bring to you.

Keep Away From High Rates of Interest

2. Many people with small means lose money because they very often insist on getting a high rate of interest on their investments. To lose one's money is a very serious matter, and we should consider safety of principal above large returns in interest or dividends. Therefore, we should never buy high-rate, speculative investments, in which there is great risk, but should stick to investments which pay a fair rate and which are known to be safe.

Get a Successful Man's Advice

3. Whenever you wish to know whether an investment is worth buying, go to a banker, or a successful business man, who has had experience in making investments and in whom you have confidence. Find out his opinion and then act in accordance with it. In all probability this will mean the difference between successful investment and total loss of your money. The banker deals with investments every hour of the day and desires to give you all the help and information he can. He believes that you should have a clear understanding of an investment, before it is purchased. He knows the need for avoiding stock promotion schemes and get-rich-quick propositions, because he has observed many cases where these have brought poverty and suffering. He has learned the need for great caution in all investments, and is less likely to make a mistake than those without experience. Responsible investment houses are always glad to give you advice. While many states have endeavored to pass laws protecting the public against the promoters of fake investments, thousands of people annually fall victims to their visionary schemes, because they fail to seek advice of those experienced in making investments.

(Concluded on page 619)

(Continued from page 617)

Careful Investing Brings Success

Increasing numbers of people are learning that care in the use of money brings success. Nearly every one knows how to work, but too large a proportion of our workers have not yet learned how to save. Of those who know how to save, there are many who know very little about how to invest. If due care is used, success will follow honest effort as surely as day follows night.

The men who successfully use and invest their money are not necessarily men of any special profession or ability. Thousands of wage earners are owners of good investments. They are men of strength and purpose who have determined not to expect sudden wealth, but, by strict economy and careful investing to provide for themselves and their dependents. They stick to sound investments—investments which can usually be relied upon for an assured income and which give a sense of deep satisfaction to the investor.

No matter what the present circumstances may be, every young person should decide to become, as soon as possible, an owner of investments. The lessons of thrift practiced early in life are very important and have much to do with the future. If you keep the investment idea before you as a desired goal, there is very little danger that you will ever lack the necessities of life.

Business Changes

At a meeting of the Board of Directors of the Guaranty Company of New York, all of the officers were re-elected. John F. Patterson was appointed an assistant vice-president and W. M. Falion has been appointed an assistant treasurer.

Stockholders of the Irving Bank-Columbia Trust Company, recently formed by the consolidation of the Irving Bank, New York, and the Columbia Trust Company, have elected the following Board of Directors for the new institution: Milo M. Belding, William C. Breed, A. E. Carlton, Edward H. Clark, Edward Cornell, Warren Cruikshank, William K. Dick, Henry Fletcher, James M. Gifford, Alexander Gilbert, J. Horace Harding, Harold A. Hatch, Willard V. King, Lee Kohns, Frederic G. Lee, Adam K. Luke, Arthur W. Milburn, Sidney Z. Mitchell, Augustus G. Paine, Jr., Hubert T. Parson, Charles E. Perkins, Lewis E. Pierson, John J. Pulleyn, Jacob L. Reiss, Noah C. Rogers, Arthur Sachs, William Skinner, Frederick Strauss, Alfred H. Swayne, William A. Tucker, Elisha Walker, Harry E. Ward, Theodore F. Whitmarsh, Daniel W. Whitmore, Harry M. Williams. Lewis E. Pierson continues as chairman of the board and Harry E. Ward as **president.**

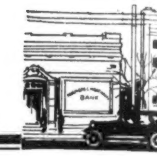
Leo G. Desobry, formerly with the National Stock Yards National Bank, National Stock Yards, Illinois, has become a director and a vice-president of the Broadway Savings Trust Company of St. Louis, Mo.

C. Hunt Turner, Jr. has been elected secretary of The Mississippi Valley Trust Company of St. Louis, to fill the vacancy occasioned by the death of James E. Brock.

C. L. Brokaw, member of the Executive Council from Kansas and member of the Federal Legislative Council, has recently been elected President of the Commercial National Bank, Kansas City, Kansas. The new Chairman of the Board of the Commercial National Bank is P. W. Goebel, Ex-President of this Association.

On January 1st the per capita circulation of money in the United States was $42.81.

STATE BANK DIVISION



Kentucky's Plan for Grading Banks

IN Kentucky the state banks will hereafter be graded in the order of their excellence in the conduct of their business. Every banking operation conducted in strict compliance with the generally accepted standards of efficient and safe banking will be credited to the bank in the records of the State Department of Banking. The scheme of rating prepared by the Commission of Banking consists of 28 points.

The order of grading on a basis of 100 per cent. will be as follows:

Loans	35%
Directors' Duties	15%
Bookkeeping	15%
Capital and Surplus	10%
Overdrafts	10%
Interest on Deposits	5%
Officers' and Employes' Bonds	5%
Insurance	5%
	100%

The sub-division of points in the schedule of ratings is as follows:

Loans—35% Rating

5%—No loans more than 60 days past due. (Notes in suit excepted.)
(a) Loans adequately secured by real estate on which interest is paid semi-annually or annually not considered due until expiration of such period.
(b) Demand notes considered due six months after date.
5%—At least 10% of investments in liquid or readily marketable form.
5%—No uncollectible loans.
5%—Total bills payable and rediscounts not exceeding capital stock.
2%—Signed financial statement required from all persons or firms whose loans exceed $1,000.
8%—Section 583, Kentucky Statutes, fully complied with.
5%—No one name paper unless secured or the legal and moral worth of the borrower is unquestionable.

Directors' Duties—15% Rating

5%—Monthly meetings of a majority of the Board of Directors.
5%—All loans of $500.00 or more approved by at least three directors when made.
5%—Complete record of each directors' meeting kept on minute book and properly signed.

Bookkeeping—15% Rating

2%—Daily statement kept reflecting all accounts of general ledger.
2%—Complete record of each day's cash kept on teller's cash book.
2%—Trial balance taken off individual and savings ledgers monthly.
2%—A liability ledger kept and balanced with notes monthly.
2%—Registers kept for cashier's and certified checks and certificates of deposit and each reconciled monthly.
2%—Postings on individual ledgers proven daily.
2%—All bank accounts kept in general ledger and reconciled monthly.
1%—A detailed record kept of all expense items.

Capital Stock and Surplus—10% Rating

3%—Total capital stock and surplus equal to or greater than 10% of total deposits.
3%—The amount invested in banking house, furniture and fixtures not exceeding 25% of capital and surplus, excepting banks in first and second class cities 50% of capital and surplus.
4%—Unimpaired surplus equal to or greater than capital stock.

(Surplus equal to one-fourth of capital or more will be graded in proportion.)

Overdrafts—10% Rating

5%—Total overdrafts as follows:
(a) Not exceeding $750 for banks with deposits less than $500,000.
(b) Not exceeding $1,500 for banks with deposits of $500,000 to $1,000,000.
(c) Not exceeding $2,500 for banks with deposits of $1,000,000 or more.
3%—No officers, directors or employees overdrawn.
2%—No checks being held to avoid overdrafts.

Interest on Deposits—5% Rating

5%—Rate of interest paid on time and savings deposits not exceeding 4%.

Officers' and Employees' Bonds—5% Rating

5%—All active officers and employees having access to the funds, stocks, bonds, securities and accounts of the bank, under bond for faithful discharge of duties.

Insurance—5% Rating

2%—A reasonable amount of fire insurance on banking house, furniture and fixtures.
3%—A reasonable amount of burglary and holdup insurance.

According to the ratings received the banks of the state will therefore automatically place themselves into one of four classes:

"Excellent" banks comprising those attaining a rating of from 85 to 100 per cent.; "good" having a rating of 75 to 85 per cent.; "fair" having a rating of 70 to 75 per cent. and "unsatisfactory" when the check-up gives a percentage below 70 per cent.

Bank Promotion

A bill has been introduced in the Pennsylvania Legislature providing that before any certificate or application for the incorporation of any bank or trust company is transmitted to the Governor for his approval and for the issuing of letters patent, the Commissioner of Banking shall inquire whether any fee, commission or compensation has been, or is to be paid to any person, co-partnership, association or corporation for the promotion or organization of such bank or trust company or whether any part of the money collected, or to be collected, from subscribers or stockholders, has been, or is to be applied to the payment of promoters' fees for obtaining subscriptions or selling stock or for services in starting and opening any such bank or trust company, whether the same is provided for by contract with the proposed bank or trust company or by contract with the subscribers to the stock of the proposed bank or trust company and, in any such case where such payment has or is to be made, the Commissioner of Banking shall have power to refuse to approve of such incorporation and he shall thereupon communicate the facts to the Governor, who shall upon the receipt of the certificate or application of incorporation of any such bank or trust company, disapprove thereof and indorse his disapproval thereon and refuse to direct the issue of letters patent for the incorporation of such bank or trust company, unless in any case it shall appear to the Governor that the action of the Commissioner of Banking has been unreasonable.

The Condition of Business

THE outstanding events of the past few weeks have been in the field of finance. The stock market resumed the advance which had been halted in November; the commercial loans of banks renewed their upward movement; interest rates became firmer; and on the 21st of February the Federal Reserve Banks of New York and Boston raised their discount rates from 4 to 4½ per cent. for all types of paper.

While these events held the center of the stage there was no lack of other evidence of active business and in fact the financial changes may be attributed largely to changes within the field of business itself. Production increased more rapidly in January than in any other month for some time with the single exception of November, and the index of production in basic industries which is prepared by the Federal Reserve Board reached a point higher than the 1920 peak, and more than 20 per cent. above the 1919 average. Freight car loadings were in excess of previous records for this time of year; building was exceptionally active. Prices continued to advance and there began to be evidence that we are rapidly reaching that balance of supply and demand which is expressed by the term "seller's market."

Stock Market

It was freely predicted by a number of commentators that the rise of stock prices last fall marked the end of the bull movement and that the prospect for 1923 was a steady recession in prices. The events of the early weeks of this year have disproved at least part of the prediction. Early in February industrial stocks began a rise which carried representatives averages up about six points to the highest levels reached last fall. The recovery in railroad stocks was less complete. Trading was the heaviest since last June and averaged well over a million shares a day. Representative price averages including both rail and industrial stocks are now about eight to ten points below the highest levels which were reached in 1919.

One factor in the strength of the stock market, apart from general improvement in business conditions, was probably the publication during January and February of the annual statements of industrial concerns, showing on the whole more favorable results of 1922 operations than might have been anticipated. The great majority of concerns showed profits considerably larger than in 1921 and the earnings of a considerable number compared favorably with 1919 and 1920 figures. When it is borne in mind that the early months of 1922 were months of rather restricted business activity the earnings reported for the year are encouraging evidence of the probable returns under the much more active operations of the present.

Bank Loans and Interest Rates

An expansion in the commercial loans of the member banks which report weekly to the Federal Reserve System which amounted to $126,000,000 between January 24 and February 14, may be directy attributed to the early beginning of active spring business. It is quite normal for business to start up early in February after a seasonal slack

period during January. A rise in money rates may be traced to the same cause.

Interestingly enough increases in rates in the current business movement have occurred only at periods when an increase is normal to the season of the year. This has deceived some observers who have argued that both last fall and this past month increases have been due solely to seasonal causes. The test of the situation is found in the fact that in the slack season there was very little recession from the levels reached in the fall. Commercial paper rates, which are good typical rates to follow, rose in the late summer and early fall from 4 per cent. to 4½ and 4¾ per cent. In January the rate dropped to around 4½ and in February strengthened to 4¾ and 5 per cent., and there appears to be a general feeling among the dealers that somewhat higher rates are in prospect.

It is decidedly unusual for a business recovery from depression to go as far as this one has gone with so little increase in interest rates. The explanation lies largely in the fact that heavy gold imports from Europe for two years have given the banks large capacity for loan expansion without strain. Loans on stocks and bonds, which consist to a large extent of call loans to brokers, have reached a higher point than ever before while the rate for this type of loan has remained on the average between 4 and 5 per cent. The banks have largely extended their investments and recently have increased their loans to business. Only in the past few weeks has the amount borrowed from the Federal Reserve Banks begun to increase. In the early weeks of February such borrowings rose $57,000,000.

The Higher Discount Rate

An increase in the discount rate from 4 to 4½ per cent. was announced by the Federal Reserve Banks of Boston and New York without any explanatory statements. From time to time the Reserve Banks have, however, announced it as their policy that the discount rate should conform to the current credit situation. With commercial paper selling at 4¾ to 5 per cent., it is clear that a discount rate of 4 per cent. was out of line with the market and would tend to encourage banks to use Federal Reserve facilities to finance credit inflation. The rise in rate is therefore not surprising, particularly in view of the fact that nine of the other Reserve Banks already have a 4½ per cent. rate.

The final analysis of these various developments in the financial field are indicative of changes in underlying business conditions.

Commodity Prices

A still more direct indication of the state of business is found in the relation between supply and demand in the commodity markets as revealed in the movement of prices. In the opening weeks of 1923 a long list of the basic commodities have touched new high prices since 1920 and early 1921. Cotton has risen to within a fraction of 30 cents a pound. Refined sugar is quoted at 9 cents a pound. Some conception of changes in recent months in the prices of basic commodities is shown by the following comparison of current prices with those a year ago:

	Feb. 23 1923	Feb. 24 1922
Foodstuffs:		
Wheat, No. 2 red	$ 1.49	$ 1.49½
Corn, No. 2 yellow ...	.91	.78
Oats, No. 2 white	.56½	.49½
Coffee, No. 7 Rio	.13⅜	.09
Sugar, granulated	.091	.051
Butter, cr'm., 92 score .	.51	.36½
Pork, mess	28.00	26.50
Beef, family	21.00	14.00
Metals:		
Iron, 2X, Philadelphia .	30.25	21.25
Steel billets, Pitts	40.00	28.00
Lead	8.40	4.70
Copper	16.25	12.50
Tin	44.62½	29.75
Textiles:		
Cotton, mid. upland ..	29.80	18.50
Printcloths	.08	.05¾

Are Recent Price Increases Due to Speculation?

A feature of the recent rise in sugar prices which challenges attention, was a statement by the Federal Sugar Refining Company, "the sugar market is being manipulated and is dominated by speculation." Such a statement raises the question whether the recent rise in prices may be taken as an evidence of genuine business improvement (a larger volume of goods entering consumption), or whether it is largely speculative in origin. Is the situation in other words like that in 1919 and early 1920, or is it on a more solid basis? The answer to this question has an immediate bearing on the duration of the present activity of business.

Unfortunately it is not possible to answer the question completely. The evidence of opinion is about as strong on one side as on the other. In any commodity market there is always some speculation going on, and on the other hand a great deal of buying to meet direct consumer demand. Different men see different phases of this situation at different times and give their testimony as to the character of the market on the basis of what they see. It is almost impossible to determine the amount of speculation by asking individuals, no matter how well informed they are.

But there is available some more definite information and most important of all should be noted the present heavy volume of retail trade. Reports to the Federal Reserve Banks from department stores in more than 100 cities throughout the country show that the sales of these stores in January was about 12 per cent. larger than in January 1922. This is the largest percentage of gain over the corresponding month of the previous year which these stores have reported since late in 1920. The big mail order houses, Sears Roebuck, Montgomery Ward and the National Cloak and Suit Co., who cater largely to the rural purchaser, sold 40 per cent more goods, in a dollar value, than in January a year ago. The chain stores show somewhat similar increases.

These facts mean a large volume of goods consumed which must be replaced by new production. The large consumption of goods is quite in keeping with current high wages, which are in general twice as high as before the war, and the somewhat improved position of the farmer as compared with a year ago.

A second bit of evidence of genuinely large consumption of goods is the heavy volume of distribution of goods by freight. Car loadings of forest products have recently been the highest on record, indicating the use of large amounts of lumber for building construction. Similarly loadings of merchandise and miscellaneous freight, representing the distribution of articles for current sale and use, have been much larger than usual for this season of the year.

A third, and less conclusive bit of evidence is that, where definite figures are available, stocks of goods are not piling up. The only truly valid figures here are the reports of Department Stores for stocks of goods on hand. These figures show that stocks are still being kept down and the ratio of stocks to sales is much lower than in 1919 or early 1920 and when usual seasonal changes are taken into account is about as low as at any time in recent months. Evidently the department stores are not placing heavy orders on any speculative basis.

Whether this condition of affairs holds in other fields it is not possible to say, but there are a few stray bits of evidence which would lead one to believe that there is at least more speculation than there was. The sharp increases in prices of basic commodities, while prices of other commodities as shown by the Department of Labor index have tended to move slowly, is good ground for suspicion of speculation.

A sharp rise in bank clearings, which respond more quickly to speculation than any other single factor,

is further ground for suspicion. January debits to individual accounts in 140 cities outside New York City, were 24 per cent. higher than in January 1922, and when usual seasonal changes are taken into consideration the January figures show a sharp jump as compared with the December figures.

One might summarize these various facts by saying that there is a sufficiently large consumption and demand for goods to justify heavy production and probably some price increase, but at the same time the speculative tendencies in the present situation deserve careful watching. A runaway market in commodities just as in securities is less likely now than in 1919 from the psychological point of view. The memory of 1920 and 1921 is too distinct to allow caution to be thrown to the winds. On the other hand the genuinely heavy volume of consumption, together with the large amounts of credit available, are powerful causes working in the other direction.

British Debt Settlement

From the point of view of American business the agreement with the British government on a definite plan for refunding the British debt to this country is a milestone on the road towards such an adjustment of financial difficulties abroad that trade may be carried forward unhindered.

Just what the refunding plan involves in the way of payment on the part of Great Britain has been reduced to picture form by the Cleveland Trust Co. as shown on page 626. According to the plan Great Britain will have completely liquidated the present 4.6 billion debt by 1985. In addition to the payment of principal she will have paid 6.5 billions in interest, or a total of 11.1 billion dollars. If the interest had been fixed at 4¼ per cent., the Liberty bond rate, instead of 3 per cent. for ten years and then 3½ per cent., the total payments would have amounted to 12.7 billions.

British Industrial Conditions

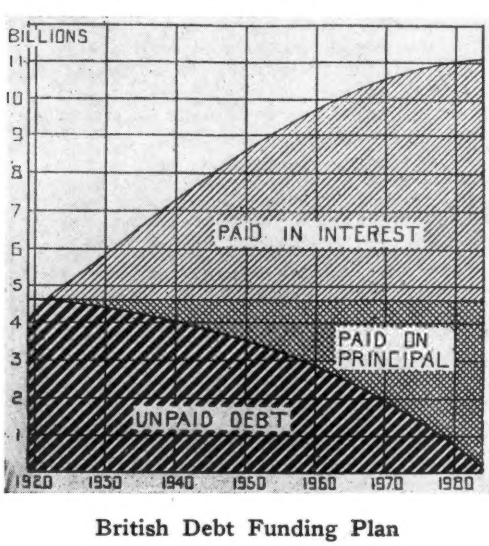
The ability of Great Britain to undertake a financial program such as is represented by the debt refunding plan is evidence of an improving commercial and industrial situation in that country. The chairmen of several of the large British banks gave interesting summaries of industrial conditions in their addresses to the annual meetings of their banks. Excerpts from two of these follow. Mr. Walter Leaf, chairman Westminster Bank Limited; said in part:

"There are definite signs of a strong trade revival, which is already doing something to diminish unemployment, and

seems likely before long to do a great deal more. You will have seen the encouraging reports of recovery in the papers, and these are fully confirmed by the returns which we receive from our own managers in the different industrial centres. Perhaps the trade which is suffering most is cotton manufacture in its various stages; there the weakness of the demand from India and China stands in the way of active business. But in the iron trade and its various great branches, from the blast furnace to the steamship and the railway locomotive, we hear on every hand of renewed activity. The coal trade is very active, and exports are growing. It is noteworthy that the United States and Canada are taking our coal, and offer markets which are largely new, and will, it is confidently hoped, be permanent. At the same time, it must be noted with regret that the profits are poor, and that the miners in many districts obtain their minimum wage only by heavy drafts upon the share of the surplus which is recognized as duly belonging to the owners. In the textile industries, though cotton is depressed, wool is doing well, and the hosiery trade has fully maintained the activity which was observable twelve months ago. The heavy chemical industry has made steady progress during 1922, home trade being assisted by reduction in railway rates and lower production costs."

Mr. J. Beaumont Pease, chairman Lloyds Bank, Limited; said in part:

"As an appendix to my speech today I have collected reports on most of the main industries of the country, following in this respect the example of the late chairman. I do not propose to read them to you, but if you are interested to glance through them, you will find that, almost without exception, they tell the same tale of depression and trouble. The most cheerful records are those relating to the woollen, hosiery, and carpet industries, while others have shown some improvement on the previous year, and during the latter months of 1922 there were signs in nearly all of them of awakening activity and increasing demand. It is easy to exaggerate these, and I do not wish to say more than that they undoubtedly existed in varying degree, and that a distinct movement for the better was observable and could be seen reflected in an increasing demand for banking facilities and a more general inquiry for goods. Even in shipbuilding, generally one of the last industries to recover from a period of depression, one heard of new orders being placed in the latter months of the year and a spirit of hopefulness awakening."



British Debt Funding Plan

The Jersey Campaign Against Fraud

By FLOYD C. DEVORE

Chairman Committee Directing the Campaign

Five Forms of Publicity Employed but the Most Effective Piece of Literature Is a Questionnaire Which Makes It Easy for the Proposed Victim to Investigate and to Go to a Banker for Advice. Quickly Reveals Weakness of Offerings.

"I NEED not tell you that hundreds of thousands of dollars are now being lost annually by the people of this state through the purchase of worthless and fraudulent securities and that teriffic inroads are being made every year upon the financial resources of this state due to the operations of these unscrupulous stock salesmen. Are we, the bankers of this state to whom have been entrusted the lifesavings of our people, are we, I say, going to sit idly by and see these pirates and investment sharks continue to fleece and rob innocent investors of their savings, or are we willing to enlist now in a campaign—100 per cent. strong—which I believe will greatly curb their operations in this state and ultimately save New Jersey from this great waste?"

The above quotation from a letter sent by the committee in charge to all banks in New Jersey gives the keynote of a publicity campaign recently inaugurated by the New Jersey Bankers Association to curb stock-promotion-fraud in New Jersey.

Like many other states, New Jersey during the late war, and the period thereafter, was overrun with peddlers of fraudulent and worthless securities. Millions of dollars were being lost annually by the people of the state through the purchase of fake and questionable securities. In many of the rural sections of the state, the agricultural industry was depressed due to the heavy losses sustained by the farmers who had become the victims of these unscrupulous stock salesmen. The situation became so serious that many bankers, particularly in the rural counties, were of the opinion that the State Association ought to take some action to curb the sale of these fraudulent promotions and to safeguard and protect the investments of savings of New Jersey citizens that had been accumulated through work and self-denial.

When the New Jersey Bankers Association convened in annual session in Atlantic City last May, one of the first acts of President Keisler was to appoint a committee to outline a plan of action to safeguard innocent investors and to rid New Jersey of this wasteful system of stock-promotion-fraud. The committee appointed by President Keisler was as follows: Floyd C. Devore, chairman, Sussex County Trust Company, Franklin; A. W. Ballentine, First National Bank, Montclair; J. Ashley Brown, Peoples Bank & Trust Company, Westfield; C. Edward Schlich, Greenville Banking & Trust Company, Jersey City; Frank McMahon, Second National Bank, Red Bank; and Fred Z. Board, Citizens National Bank, Ridgewood.

The committee decided that the most effectual means for the State Association to pursue, in combating these promoters of shady finance, was for the Association to inaugurate extensive publicity to warn the people of fraudulent promotions and to urge that no investments be made in any stock proposition, or in other securities, without first consulting with the officers of a banking institution or the head of a reliable Investment House.

The campaign as outlined by the committee was therefore largely of an educational nature with publicity as the chief weapon of warfare. "Before you invest — Investigate" was the slogan of the campaign. This slogan was featured in all the advertising and publicity matter sent out by the Association. Prominence was also given to the fact that the banking institution of New Jersey not only desired to be looked upon as the custodians of the peoples' savings, but also wished to be regarded as the financial advisers of the people in matters pertaining to their investment and financial problems. One result of the campaign is that today in New Jersey there is a very much closer relationship between the banks and the people of the state than existed prior to the campaign. President Keisler is of the opinion that the campaign has made New Jersey a difficult piece of territory for the stock salesman whose wares will not stand investigation.

In promulgating the campaign the committee used the following mediums of publicity:

Newspaper advertising and news articles

IMPORTANT

This Questionnaire was compiled by the New Jersey Bankers Association to protect the small investor and to emphasize the necessity of investigating thoroughly every investment proposition before placing any money therein. When you have been furnished with the information called for in this Questionnaire, then take it to any one of the Banking Institutions in your community and get their opinion of the stock offered. If the stock-salesman refuses to fill out this questionnaire, have nothing more to do with his proposition, as it is evident that he is fostering a fraudulent promotion.

Questionnaire

Date ....

Name of Company ....

Name of Salesman ....

Kind of Stock Offered ....

Total Issue of Stock ....

Stock given for Property ....

Stock given for Good Will ....

Stock given for Patents ....

Are you taking any Liberty Bonds? ....

If so, at what price? ....

Amount of cash needed ....

Par Value of Stock ....

Market price of Stock ....

Has the Stock a ready market? ....

If so, where is it Listed? ....

Is the Stock accepted by Banks as Collateral for Loans? ....

If so, what Banks have accepted it to your knowledge? ....

What are the present Net Earnings? ....

Bank References ....

Names of Officers	Former Occupation
....	....
....	....
....	....
....	....
....	....
....	....

This Makes It Easy

Architectural Papers

Citizens' Union
National Bank
and Fidelity
and Columbia
Trust Co.
Louisville, Ky.

As the first step to a better acquaintance, may we send you this book, "The Banking House in Art Metal"

ART METAL is splendidly equipped to execute in bronze and steel, the finest designs in doors, grilles and bank screens.

We have also had wide experience in supplying the latest equipment for every department of banking from officers' quarters and vaults to cages, counters and bookkeeping rooms.

We are always glad to have architects consult with us and avail themselves of our 33 years experience in equipping some of the finest banks, public buildings and libraries in America.

Art Metal

JAMESTOWN, N. Y.

Steel and Bronze Equipment for Banks · Steel Office Equipment, Safes and Files

Placards publicly displayed
Moving picture slides
Wide distribution of questionnaires
Radio talks by prominent bankers.

The committee sent out to the banks and newspapers of the state 7,000 pieces of publicity matter, including sets of advertisements, placards, samples of questionnaires, illustrated folders of moving picture slides, and newspaper articles.

Practically every bank depositor in New Jersey received a copy of the questionnaire and many of the large industries distributed them among their employees. It was regarded by many financiers and business men as one of the best means yet devised for protecting the small investor. The purpose of the questionnaire was to make it easy for the people of New Jersey to investigate stocks when solicited by stock salesmen to invest. It also served to visualize to the average person what the word "investigate" means. Following is a copy of the first, second and third pages of the questionnaire sent out by the Association.

Distributing Cost

It is a rather difficult matter to ascertain the exact cost of the campaign as part of the expense was taken care of by the State Asssociation, part by the various County Associations, and part by the individual banks. In planning the campaign the committee of the State Association worked through a similar committee in the various County Associations, and the county committee through the individual banks of its respective county. Thus by means of county organizations throughout the state—for in New Jersey the banks in practically every county are organized in a County Association—the State Association had little difficulty in expediting the work of the campaign.

The State Association simply furnished the publicity matter and directed the campaign, while the County Association did much of the actual work of the campaign in getting the message across.

GET YOUR BANKER'S ADVICE FIRST

IT WILL COST YOU NOTHING!
IT MAY SAVE YOU FROM SERIOUS LOSS!

INVESTOR'S QUESTIONNAIRE

COMPILED BY THE
NEW JERSEY BANKERS ASSOCIATION

Whenever you are solicited to purchase Stock or other securities, USE THIS QUESTIONNAIRE before investing any of your funds.

When the stock salesman calls, request him to fill it out. Then take it to any Banking Institution in your community; they will gladly make an investigation for you and pass on the merits of the security offered.

NEW JERSEY BANKERS ASSOCIATION

Fake Stocks Can Not Stand This.

Now Know Better

"We are now well past that era of crude economic thought in which many of us quite sincerely believe that the more gold a country could accumulate, the better for it, regardless of every other consideration. We have come to understand that it is equally desirable for a country to have either a vastly excessive or an utterly inadequate share of the monetary gold. Just in proportion as gold is liquid, free and safe to move about the world in the process of equalizing industrial and financial requirements, so we shall have an approximation to that stability of conditions, that general level of prosperity and industrial activity, which is so greatly to be desired."—D. R. Crissinger.

Marked Down to $9.80

Liberty Central Trust Co., St. Louis, Mo. recently had a window display, featuring the "Comparative Foreign Exchange Purchasing Power of the American Dollar." The display consists of a million Soviet rubles; one hundred thousand German Marks, and one hundred thousand Austrian Kronen. The rubles, which before the war, were worth $525,000 could be bought on January 30, last, for sixty cents. The Marks valued at $23,500 before the war, were worth only $7, while $20,500 Austrian Kronen cost only $2.20 the entire quantity of exchange on display, valued at $569,000 had depreciated to $9.80.

Comptroller of the Currency Crissinger has transferred John L. Proctor, National Bank Examiner to New York City to fill the vacancy caused by the resignation of Oliver W. Birckhead, who has accepted a Vice-Presidency of the Harriman National Bank.